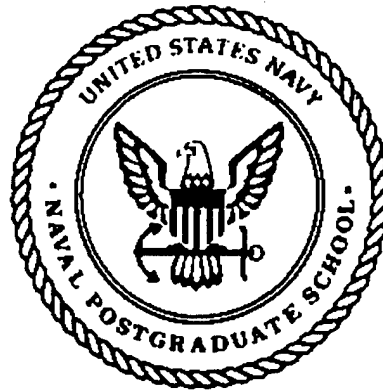


NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS

**THE ROLE OF THE PROJECT MANAGER
DURING THE FOREIGN MILITARY SALES OF
NEW TACTICAL WHEELED VEHICLES**

by

Linda R. Herbert

December 1995

Principal Advisor:

Thomas H. Hoivik

Approved for public release; distribution is unlimited

19960326 049

RECEIVED 19960326 049

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave Blank)		2. REPORT DATE December 1995		3. REPORT TYPE AND DATES COVERED Master's Thesis
4. TITLE AND SUBTITLE The Role of the Project Manager During the Foreign Military Sales of New Tactical Wheeled Vehicles			5. FUNDING NUMBERS	
6. AUTHOR(S) Linda R. Herbert				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) <p>This thesis examines the functional management role of the Project Manager with respect to the Foreign Military Sales process associated with the sale of new tactical wheeled vehicles. An effective FMS implementation process is becoming more crucial to the encouragement and sustainment of United States defense companies, and for the modernization of allied forces. A comparative analysis of the sale of the new Family of Medium Tactical Vehicles to Thailand and Kuwait, was conducted to identify the role of the Project Manager and develop lessons learned and recommendations for issue resolution. Both cases were analyzed from five different perspectives: 1) comparative analysis of the PMO's actions in the Letter of Offer and Acceptance phases, 2) functional analysis of the security assistance agencies involved in the FMS vehicle process, 3) functional management role analysis of the PM, 4) ethical considerations concerning FMS and the PM, and, 5) an analysis of the impact of FMS on the industrial base. Conclusions drawn from these analyses reveal that the functional management role of the PM is vital to the successful completion of FMS transactions. Adoption of the recommendations in this thesis should result in improved project management and project effectiveness in future Foreign Military Sales agreements.</p>				
14. SUBJECT TERMS Foreign Military Sales, Family Of Medium Tactical Vehicles, Project Manager Role, Tactical Wheeled Vehicle FMS Process, PM Management, Case Study, Army Vehicle FMS			15. NUMBER OF PAGES * 143	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	

Approved for public release; distribution is unlimited

**THE ROLE OF THE PROJECT MANAGER
DURING THE FOREIGN MILITARY SALES OF
NEW TACTICAL WHEELED VEHICLES**

Linda R. Herbert
Captain, United States Army
B.A., Hamline University, 1985
M.S., Central Michigan University, 1992

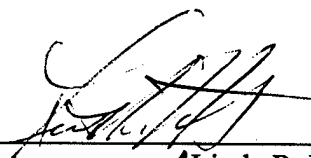
Submitted in partial fulfillment of the
requirement for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

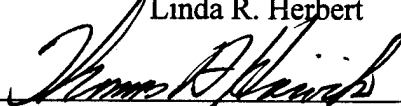
NAVAL POSTGRADUATE SCHOOL
December 1995

Author: _____

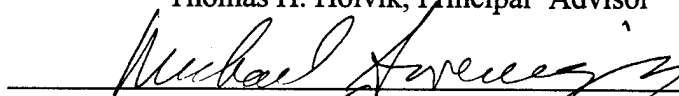


Linda R. Herbert

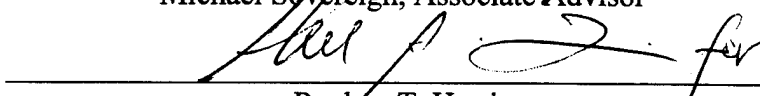
Approved by: _____



Thomas H. Hoivik, Principal Advisor



Michael Sovereign, Associate Advisor



Reuben T. Harris

Department of Systems Management

ABSTRACT

This thesis examines the functional management role of the Project Manager with respect to the Foreign Military Sales process associated with the sale of new tactical wheeled vehicles. An effective FMS implementation process is becoming more crucial to the encouragement and sustainment of United States defense companies, and for the modernization of allied forces. A comparative analysis of the sale of the new Family of Medium Tactical Vehicles to Thailand and Kuwait, was conducted to identify the role of the Project Manager and develop lessons learned and recommendations for issue resolution. Both cases were analyzed from five different perspectives: 1) comparative analysis of the PMO's actions in the Letter of Offer and Acceptance phases, 2) functional analysis of the security assistance agencies involved in the FMS vehicle process, 3) functional management role analysis of the PM, 4) ethical considerations concerning FMS and the PM, and, 5) an analysis of the impact of FMS on the industrial base. Conclusions drawn from these analyses reveal that the functional management role of the PM is vital to the successful completion of FMS transactions. Adoption of the recommendations in this thesis should result in improved project management and project effectiveness in future Foreign Military Sales agreements.

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	PURPOSE.....	1
B.	BACKGROUND	1
C.	THESIS OBJECTIVE	3
D.	RESEARCH QUESTIONS	4
1.	Primary.....	4
2.	Subsidiary	4
E.	SCOPE AND LIMITATIONS OF RESEARCH.....	4
F.	METHODOLOGY	5
G.	ORGANIZATION OF STUDY.....	6
II.	SECURITY ASSISTANCE	9
A.	HISTORY	9
B.	SECURITY ASSISTANCE PROGRAM COMPONENTS.....	10
1.	Foreign Military Sales (FMS) And Foreign Military Construction Sales Program	11
2.	The Foreign Military Financing Program (FMFP or FMF).....	11
3.	Direct Commercial Sales (DCS) Licensed Under The Arms Export Control Act (AECA).....	11
4.	The International Military Education And Training (IMET) Program.	12
5.	The Economic Support Fund (ESF).....	12
6.	Peacekeeping Operations (PKO)	12
7.	Nonproliferation And Disarmament Fund	13
C.	U.S. GOVERNMENT ORGANIZATIONS FOR SECURITY ASSISTANCE	13
1.	Executive Branch	13
2.	Legislative And Judicial Branches.....	18
D.	CONGRESSIONAL LEGISLATION	21
1.	The Foreign Assistance Act.....	21

2.	The Arms Export Control Act.....	22
E.	ETHICS AND STANDARDS OF CONDUCT	22
1.	Public Law 87-849 (18 U.S. Code).....	22
2.	Joint Ethics Regulation (JER), DoD 5500.7-R	23
3.	DoD Office of the Inspector General Guidelines.....	24
F.	SUMMARY	25
III.	FOREIGN MILITARY SALES: DESCRIPTION OF THE THAILAND AND KUWAIT CASES	27
A.	INTRODUCTION.....	27
B.	FOREIGN MILITARY SALES PROGRAM.....	27
1.	Background.....	27
2.	Legislation.....	27
3.	FMS Policies Impacting Tactical Wheeled Vehicles.....	29
4.	Types Of Vehicle FMS Cases.....	39
5.	Methods For Fulfilling Vehicle FMS Cases	40
6.	FMS Administrative Fees For New Tactical Wheeled Vehicles	41
C.	FMS PROCESS FOR NEW TACTICAL WHEELED VEHICLES	42
1.	Pre-LOA Phase	42
2.	LOA Development.....	45
3.	LOA Implementation	45
4.	LOA Execution	46
D.	THAILAND AND KUWAIT FMS CASE DESCRIPTIONS.....	46
1.	Background.....	46
2.	Thailand FMS Case Description.....	49
3.	Kuwait FMS Case Description	53
IV.	ANALYSIS: THAILAND AND KUWAIT FMS CASES.....	55
A.	INTRODUCTION	55
B.	COMPARATIVE ANALYSIS: PMO ACTIONS IN LOA PHASES	55
1.	Similarities	55
2.	Differences.....	62

C.	FUNCTIONAL ANALYSIS: SECURITY ASSISTANCE AGENCIES INVOLVED IN THE FMS VEHICLE PROCESS	64
1.	Defense Security Assistance Agency.....	65
2.	Department of the Army, Deputy Chief Of Staff, Logistics	66
3.	U.S. Army Security Assistance Command.....	66
4.	Tank - Automotive Command Security Assistance Center	67
D.	FUNCTIONAL MANAGEMENT ROLE ANALYSIS:	
	PROJECT MANAGER	69
1.	Functional Management Role Theory	69
2.	Liaison Or Facilitator Role	71
3.	Disseminator of Information.....	72
4.	Leadership Role	73
5.	Disturbance Handler	75
E.	ETHICAL CONSIDERATIONS: FMS AND THE PM	76
1.	Background.....	76
2.	Ethical Considerations	79
F.	INDUSTRIAL BASE ANALYSIS.....	84
1.	General.....	84
2.	Impact Of Tactical Wheeled Vehicles FMS	87
G.	SUMMARY.....	91
V.	CONCLUSION	93
A.	GENERAL.....	93
B.	SPECIFIC FINDINGS AND CONCLUSIONS	94
1.	Comparative Analysis: PMO Actions In LOA Phases	94
2.	Functional Analysis: Agencies Involved In The FMS Process	95
3.	Functional Management Role Analysis: Project Manager	95
4.	Ethical Considerations: FMS And The PM	97
5.	Industrial Base Analysis	97
C.	LESSONS LEARNED.....	97
1.	The PM Is The Leader And Facilitator Of The FMS Transaction.....	98

2.	The PM Is The Expect Who Lends Credibility To The Project.....	98
3.	The PM Is The Problem-Solver Among The Customer, Contractor And The U.S. Government	99
4.	The PM Bridges The Gap Between The Security Assistance Community And The Customer.....	99
5.	The Security Assistance Community Has A Limited Involvement In The Current Vehicle FMS Process	99
6.	The PMO Is Not Funded To Perform The Necessary FMS Activities.....	99
7.	The Current Policies Do Not Reflect The Efforts Of The PMO During The FMS Case Implementation Process.....	100
8.	The PMO Is Proactive; The Security Assistance Community Is Reactive.....	100
9.	The Presence Of The PMO Is Critical	100
10.	Current Policies Are Ambiguous And Contradictory	101
11.	A Good Working Relationship Between The PMO, Contractor Is Key	101
12.	FMS Encourages Sustainment Of The Industrial Base.....	101
13.	Worldwide Arms Competition May Hamper Future Sales Capabilities Of The U.S.....	101
14.	The U.S. May Have To Establish Codevelopment And Coproduction Alliances	102
15.	The FMS Of Trucks Have A Positive Impact On The Industrial Base	102
VI.	RECOMMENDATIONS.....	103
A.	GENERAL.....	103
B.	SPECIFIC RECOMMENDATIONS.....	104
1.	The Current FMS Policies Should Be Revised To Reflect The PMs Lead In All New Production FMS Cases	104
2.	FMS Funding Should Be Provided To The PMO.....	105

3.	The PM Should Encourage A Good Working Relationship With The Contractor	105
4.	The U.S. Should Seek Alliances To Preserve The U.S. Leadership Position In Weapon Systems Exports	105
5.	The Current FMS Vehicle Process Should Be Revised	106
6.	Organization Of The PEO-TWV Should Be Restructured	106
C.	RECOMMENDATIONS FOR FURTHER RESEARCH	109
1.	Direct Commercial Sales Versus FMS	109
2.	Codevelopment And Coproduction Of Tactical Wheeled Vehicles	109
APPENDIX A. ANSWERS TO RESEARCH QUESTIONS		111
APPENDIX B. LIST OF ACRONYMS		117
LIST OF REFERENCES		119
INITIAL DISTRIBUTION LIST		123

LIST OF FIGURES

1	U.S. Government Organization for Security Assistance.....	14
2	United States Army Organization for Security Assistance.....	19
3	PEO-TWV Organization.....	20
4	New Tactical Wheeled Vehicle FMS Process	43
5	Family of Medium Tactical Wheeled Vehicles	48
6	TSAC Active and Projected FMS Case Loads	88
7	Activities Interacting With the PM During FMS.....	96
8	Proposed Organization for the PEO-TWV	108

LIST OF TABLES

1	Actual PMO Actions During the New Vehicle FMS Process	68
2	Proposed New Vehicle FMS Process With PM Lead.....	107

ACKNOWLEDGMENTS

I wish to thank several people who were instrumental in the completion of this thesis. First, my husband - Jeff - to whom I owe my deepest gratitude for all of his support, understanding, and encouragement. Second, my primary advisor - Professor Thomas H. Hoivik, CAPT, USN (Ret.) - who guided me throughout the creation of this thesis, painstakingly reviewing and improving the entire work. Third, my secondary advisor - Professor Michael Sovereign - who graciously made room in his schedule to advise me in the completion of my thesis, and ensured that it contributed to relevant issues within the acquisition community. Finally, to Professor David F. Matthews, COL, USA (Ret.), whom I sincerely appreciate for reviewing my work to ensure that all references to Army processes and activities were accurate.

I. INTRODUCTION

A. PURPOSE

This thesis examines the functional management role of the PM with respect to the FMS process associated with the sale of new tactical wheeled vehicles, utilizing a comparative analysis of the sale of the new FMTVs to Thailand and Kuwait. The role of the PM is evaluated from five different perspectives: 1) comparative analysis of the PMO's actions in the Letter of Offer and Acceptance (LOA) phases, 2) functional analysis of the security assistance agencies involved in the FMS vehicle process, 3) functional management role analysis of the PM, 4) ethical considerations concerning FMS and the PM, and, 5) an analysis of the impact of FMS on the industrial base. Lessons learned are developed and recommendations presented for improved FMS management efficiency.

B. BACKGROUND

The United States (U.S.) international sale of military weaponry and equipment has increased in importance as a result of changes in both the domestic and worldwide climates. Domestically, a sharp decrease in the defense budget, coupled with a decline in the industrial base, has precipitated a heightened interest in the international sale of military equipment. Increased tensions worldwide have also led to aggrandized international sales, as the U.S. has sought to enhance the military posture of its friends and allies. Thus, issues surrounding the FMS of military

equipment have become more important as foreign countries seek procurement of these items from the United States.

Inherent in the procurement programs of many countries, lie plans for the modernization of their tactical wheeled vehicle fleets. In conjunction with these plans, customer countries have sought out the U.S. for the acquisition of these vehicles through the Foreign Military Sales (FMS) program. Because these sales involved the procurement of older equipment already in the DoD inventory, these FMS transactions were previously accomplished without much involvement from the Project Manager (PM) of the U.S. Tactical Wheeled Vehicle program.

Since Operation Desert Storm, however, there has been an explosion of interest in the FMS of newer weapon systems. In many cases, U.S. allies have expressed interest in procuring systems that have not been fielded to active U.S. units. One such weapon system, the ubiquitous truck - outshined many defense items as the equipment hero of the Gulf War. As a result, many countries are now seeking vehicles from the United States. As a consequence of this increased worldwide interest, PMs are now realizing that FMS is an important aspect of their project management responsibilities.

With regard to the FMS of new production equipment, such as the Family Of Medium Tactical Vehicles (FMTVs), however, the functional management role of the PM has been ill-defined. Although project management has been in place for several years, little guidance has been provided concerning the actual role of the PM during the FMS process

for the sale of new production vehicles. These new systems are managed by the PM, rather than the Tank - Automotive Command Security Assistance Center country managers, who are assigned to manage the sale of excess and obsolete equipment. Additionally, the PM has not been resourced to manage FMS transactions. Consequently, the PM must provide FMS direction using little guidance, and from resources within project assets.

In analyzing the sale of the FMTVs to foreign Governments, the PM plays an important part in the FMS process. Analysis of these sales has demonstrated a need to determine the functional management role of the PM during the conduct of the FMS process. Determination of this role will result in increased interest by friendly countries in procuring tactical wheeled vehicles from the U.S. and will enhance the implementation of future FMS transactions concerning other transportation systems to foreign Governments.

C. THESIS OBJECTIVE

The primary objective of this research is to determine the functional management role of the PM with respect to the FMS process associated with the FMS of new tactical wheeled vehicles. The role of the PM will be analyzed by a case study of the FMS of the Family of Medium Tactical Wheeled Vehicles (FMTVs) to Thailand and Kuwait.

D. RESEARCH QUESTIONS

This research will answer the following Primary and Subsidiary questions. (Appendix A provides specific answers to each question.)

1. Primary

What should be the functional management role of the PM in the FMS process for new tactical wheeled vehicles?

2. Subsidiary

a. What security assistance agencies were primarily involved with the new vehicle FMS process, and what activities of these agencies were actually performed by the Project Management Office?

b. What are the ethical considerations inherent in FMS cases for the PM, and what is their impact on the process?

c. What is the impact of FMS on the industrial base?

d. What are the lessons learned from the Thailand and Kuwait FMS cases?

E. SCOPE AND LIMITATIONS OF RESEARCH

The scope of this thesis is limited to determining the 'functional management role' of the PM by analyzing the actions of the Project Management Office (PMO) during the FMS of new FMTVs to Thailand and Kuwait in 1993. The term 'functional,' as applied in this thesis, is limited to denoting a sociological reference, rather than connoting an Army acquisition function. Thus, analysis and determination of the PM role will be performed by analyzing the actions of

military members within the PMO (Colonel level, Army acquisition command). The term "PMO," however, refers to the collective actions of all members within the PMO who contributed to the FMS transactions.

This research is also limited to an analysis of new production FMTVs. Associated regulations, policies, and directives pertaining to the FMS of new vehicles will be identified and discussed. Agencies concerned with FMS, as well as, the documents that are used in the current process for new FMTVs, will also be described. Because the FMTVs have not been fielded to active U.S. forces yet, information regarding the FMS of these vehicles is limited to the most recent pending FMS cases involving Thailand and Kuwait. Since Kuwait had not completed their FMS negotiations with the U.S., some information regarding the Kuwaiti FMS case was unavailable.

F. METHODOLOGY

Research included review of all documentation associated with the role of the PM in the FMS of new tactical wheeled vehicles to foreign countries. Foreign Military Sales statutes, Army policies, and regulations were reviewed. Information was obtained from the Defense Logistics Studies Information Exchange (DLSIE), and the Defense Technical Information Center (DTIC). Interviews were conducted with personnel from the following: Tank-Automotive Command (TACOM), the Defense Security Assistance Agency (DSAA), the Defense Institute of Security Assistance Management (DISAM), Department of the Army Deputy Chief of

Staff for Logistics (DA DCSLOG), U.S. Army Security Assistance Command (USASAC), and the U.S. contractor for the Family of Medium Tactical Vehicles.

After all of the research was conducted and information gathered, the current new tactical wheeled vehicle FMS process was synthesized. Current functions within this process were then evaluated by using the FMS cases of the sale of FMTVs to Thailand and Kuwait. Using this as a basis, a comparative and functional analysis of the PM's role during the tactical wheeled FMS process was conducted by comparing and contrasting the two FMS cases. Following these presentations, three other analyses were also performed: a functional analysis of the security assistance agencies involved in the FMS vehicle process, an analysis of the ethical considerations regarding the actions of the PM during FMS transactions, and the impact of FMS on the industrial base. Conclusions and lessons learned drawn from these analyses were identified with appropriate recommendations proposed for effective implementation of future vehicle FMS transactions.

G. ORGANIZATION OF STUDY

Chapter I discusses the background and objective of this thesis.

Chapter II introduces the concept of security assistance, FMS, and the FMS process. It discusses security assistance, and various procurement possibilities available to foreign countries. This chapter also provides an

identification and discussion of regulations and policies affecting the sale of new tactical wheeled vehicles.

Chapter III discusses FMS, identifying the current FMS process for new tactical wheeled vehicles. Subsequent to this process identification, a description of the FMS cases concerning the sale of the FMTVs to Thailand and Kuwait is presented. Both case descriptions are presented with respect to the PM, the FMS process, and functions performed by various agencies and activities.

Chapter IV presents an analysis of the Thailand and Kuwait FMS cases. Both cases were analyzed from five different perspectives: 1) comparative analysis of the PMO's actions in the LOA phases, 2) functional analysis of the security assistance agencies involved in the FMS vehicle process, 3) functional management role analysis of the PM, 4) ethical considerations concerning FMS and the PM, and, 5) an analysis of the impact of FMS on the industrial base.

Chapter V draws conclusions from the analyses and identifies lessons learned.

Chapter VI proposes recommendations for the effective implementation of future vehicle FMS transactions, and concludes with recommendations for future research.

II. SECURITY ASSISTANCE

A. HISTORY

For decades, global violence and continuous threats to world peace have marred the face of U.S. foreign policy. Victories in both World Wars I and II have served only to provide a temporary respite from an ever-volatile, changing world in which conflicts have continued to arise. Insurgencies have plagued underdeveloped areas, backed by a Communist challenge whose goal was world domination. Previously, Communism continued its thrust by initiating overt aggression, internal subversion, and economic penetration. Furthermore, it was backed by countries that continued to proliferate a nuclear arsenal capable of obliterating the entire civilization. Because of these exogenous factors, the U.S. was thrust into a position of world leadership and developed foreign policies to impede the ever advancing threat of Communism. Consequently, the U.S. migrated from a policy of isolationism to one in which it became an active participant in security assistance programs [Ref. 3: p. 5].

During the last ten years, the geopolitical climate of the world has continued to drastically change, inciting a renewed look into the realm of security assistance. With the advent of the political and economic liberalization of the Soviet Union, and the subsequent demolition of the Berlin Wall, a new "World Order" began. While the breach between East and West Berlin was eliminated, cries of freedom were ringing throughout the former satellite states of the Soviet

Union. The Russian Bear was caged, and now an era of mutual cooperation was imminent for the first time since World War II. These global events marked the beginning of new challenges for the United States. Consequently, in response to these global changes and emerging democratic forces, the U.S. increased its support to other nations through security assistance programs, making the U.S. a leader in world arms exports.

B. SECURITY ASSISTANCE PROGRAM COMPONENTS

Security assistance is one of the primary methods that the U.S. uses to promote its foreign and national security policy. Department of Defense defines security assistance as:

Group of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act of 1976, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense-related services, by grant, credit, or cash sales, in furtherance of national policies and objectives. [Ref. 37:p. 327]

It is through security assistance, that the U.S. seeks to strengthen the national security of friendly nations, and to support existing democracies. It performs these functions through the group of programs stated above, which are all authorized by law.

Within the purview of security assistance programs are seven major program components. All foreign Government

procurement of defense equipment from the U.S. Government occurs through one of these program components. A brief description of these components is provided below [Ref. 4:pp. 36-38]:

1. **Foreign Military Sales (FMS) And Foreign Military Construction Sales Program**

The FMS program allows eligible foreign countries to purchase defense articles, services, and training from the U.S. Government. Foreign Military Sales cases occur when the purchasing Government enters into a cost-type contractual Government-to-Government agreement. This agreement is documented by a LOA between the U.S. Government and the foreign Government, and is referred to as a "case."

2. **The Foreign Military Financing Program (FMFP or FMF)**

Authorized under the provisions of Arms Export Control Act of 1976, this program consists of grants and loans offered by the U.S. to eligible countries. These countries are allowed to use this money to purchase U.S. defense articles, services, and training through either FMS or direct commercial sales.

3. **Direct Commercial Sales (DCS) Licensed Under The Arms Export Control Act (AECA)**

Under the DCS program, the foreign Government contracts directly with the U.S. contractor, whereby the U.S. Government is not responsible for any contractual considerations. These transactions are not managed by Department of Defense (DoD) and are not Government-to-Government agreements, as in the case of FMS agreements.

Rather, U.S. Government involvement occurs through licensing by the Office of Defense Trade Control in the Department of State, and is merely to provide Congressional oversight for the program.

4. The International Military Education And Training (IMET) Program

This program provides monetary support for the training of international personnel in the U.S. and U.S. facilities overseas. Since 1989, Congress has prohibited the use of IMET funds by countries whose annual per capita gross national product exceeds \$2,349.00 million, unless the country will fund certain expenses for its students.

5. Economic Support Fund (ESF)

This program is designed to promote economic and political stability in countries that the U.S. has deemed vital to its national interests. Such countries either have special political and security interests important to the U.S., or need assistance to ensure peace, or economic and political harmony.

6. Peacekeeping Operations (PKO)

Peacekeeping operations are authorized under the Foreign Assistance Act (FAA) of 1961, Part II, Chapter VI, as amended. Historically, these operations have included multinational peacekeeping forces and observers in Cyprus, Liberia, West African states, Soviet Union, Rwanda, Somalia, and Haiti.

7. Nonproliferation And Disarmament Fund

This program was implemented to discourage the proliferation of weapons of mass destruction. Current funding is designed to reduce the nuclear force of former Soviet Union states, and to promote security in other volatile regions of the world.

C. U.S. GOVERNMENT ORGANIZATIONS FOR SECURITY ASSISTANCE

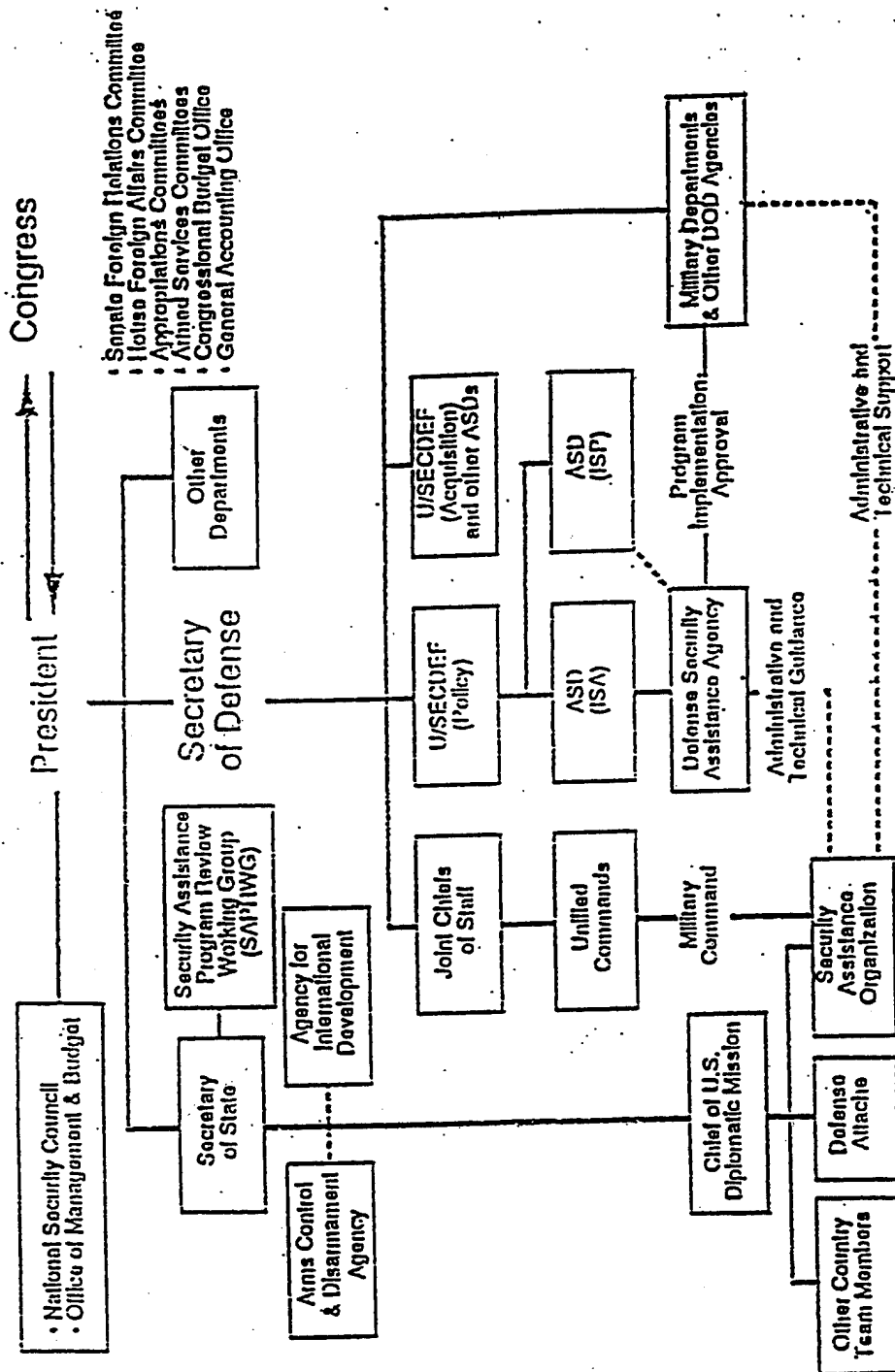
The genesis for legal authority of security assistance programs lies in U.S. laws, which stipulate various restrictions, reporting requirements, authorization requirements, and appropriations. These public laws govern all ensuing actions of the three branches of the Federal Government. To further clarify this relationship, a brief discussion of the roles of each branch, with respect to security assistance, is addressed below. Figure 1 depicts the U.S. Government organization for security assistance [Ref. 4:p. 76].

1. Executive Branch

Of the three branches, the Executive Branch is the most heavily involved with security assistance programs. It is responsible for the execution of foreign policy laws, and ensures that all agreements under the seven programs of security assistance are successfully implemented. Executive Branch organizations relevant to this research are discussed below.

a. Office Of The President Of The United States

The U.S. Constitution gives responsibility to the President pertaining to all matters concerning foreign



Source: The Management of Security Assistance, DISAM, 1994.

Figure 1. United States Government Organization For Security Assistance

policy. As such, the President is empowered to enter into treaties, appoint U.S. ambassadors to foreign countries, and receive ambassadors from other nations. With respect to security assistance, one of the most vital duties of the President is that of proposing the annual U.S. assistance program and budget to Congress. Additionally, the President is responsible for providing oversight for all activities concerning security assistance programs.

b. Department Of State

Primary agencies relevant to security assistance programs within the Department of State include the Bureau of Politico-Military Affairs, and the Arms Control and Disarmament Agency. The Bureau of Politico-Military Affairs is the principal liaison between the Department of State and Department of Defense. Within this agency are several offices that have a direct impact on the implementation of security assistance programs. For example, the Office of Defense Trade Controls has the responsibility both for licensing the exports of arms and material on the U.S. Munitions List, and for issuing the International Traffic in Arms Regulations. The Office of Defense Relations and Security Assistance is responsible for the daily operation of security assistance programs, and coordinates directly with the Defense Security Assistance Agency in the Department of Defense. The Arms Control and Disarmament Agency is responsible for preparing evaluations of how proposed weapons sales could affect the arms race, and for notifying Congress of FMS cases over \$50 million. Although

this agency is technically separate from the Department of State, it receives guidance from this agency.

c. Department of the Treasury

Within the Department of the Treasury, the U.S. Customs Service is responsible for two major functions. These are: reviewing Munitions Control Export Licensing requests, and informing the Department of State of any irregularities in these requests.

d. Department Of Commerce

The Department of Commerce is concerned primarily with commodity control, and interfaces with the Departments of State and Defense. This department determines the defense items that should be placed on the Commodity Control List. Items placed on this list are subject to limitations or prohibitions concerning their export from the U.S., under any type of agreement with a foreign Government.

e. Department Of Defense

Within the DoD, the Defense Security Assistance Agency (DSAA) is vastly involved with security assistance programs. The DSAA is responsible for directing, administering, and supervising, the execution of all security assistance programs. Relevant functions within its purview include: conducting logistics and sales negotiations with foreign countries; receiving and seeking Congressional approval for Letters of Request (LOR) from customer countries; serving as the DoD point of contact for liaison with industry; and making determinations for the distribution of FMS administrative funds. The DSAA is also responsible for all overseas Security Assistance

Organizations (SAO), although these organizations are not in the Department of Defense. Security Assistance Organizations manage most aspects of country security assistance programs to include fiscal, logistical, and contractual functions. With regard to Thailand, the SAO is called the Joint U.S. Military Advisor Group (JUSMAG); with regard to Kuwait, it is called the U.S. Liaison Office.

f. Department Of The Army

(1) Department of the Army (DA), Assistant Deputy Chief of Staff for Logistics. Within the Department of the Army (DA), the Assistant Deputy Chief of Staff for Logistics (DA DCSLOG), is responsible for providing oversight for the implementation of all Army related security assistance activities to include LOA development during the FMS process. Operational aspects of all security assistance activities are assigned to major subordinate commands that include the U.S. Army Material Command (AMC). The U.S. Army Material Command is responsible for providing oversight for administering, implementing, executing and managing Army related FMS cases.

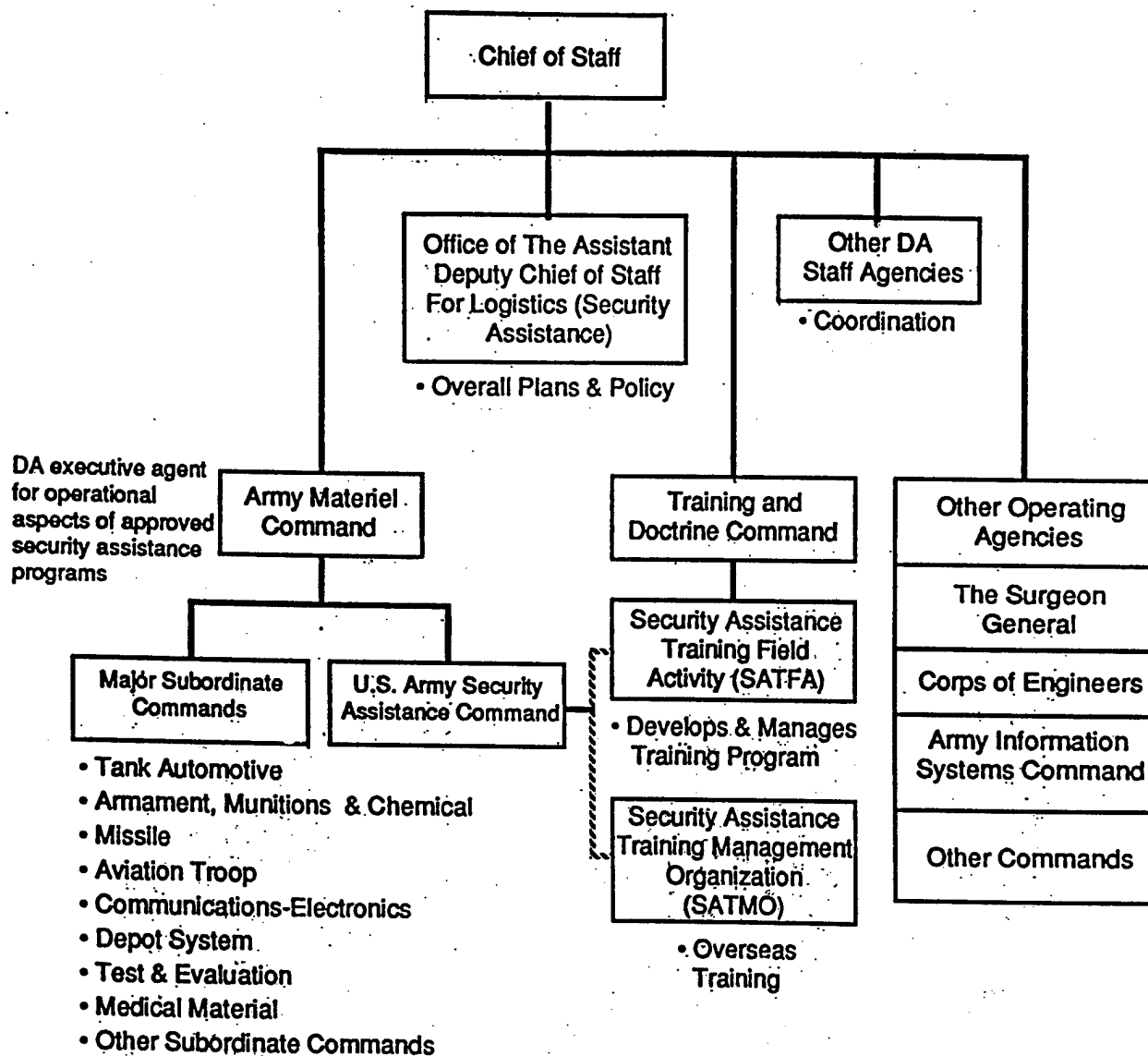
(2) U.S. Army Security Assistance Command. Subordinate to the U.S. Army Material Command is the U.S. Army Security Assistance Command (USASAC). The U.S. Army Security Assistance Command is responsible for implementing all FMS activities. With respect to FMS cases, USASAC reviews all LOAs and forwards them to DSAA for approval.

(3) U.S. Army Tank - Automotive Command (TACOM). The Tank - Automotive Command is directly responsible for managing all armored systems and automotive

equipment [Ref. 24]. Subordinate to the Tank - Automotive Command is the Tank - Automotive Command Security Assistance Center (TSAC), which is responsible for the execution of all FMS transactions of armored and automotive systems that are currently in the DoD inventory, or are obsolete. Letters of Offer and Acceptance for services, or materials originate from the Tank - Automotive Command Security Assistance Center. Also subordinate to the Tank and Automotive Command is the Program Executive Office (PEO), Tactical Wheeled Vehicles (TWV). Currently, the PEO does not have a dedicated position responsible for international operations or FMS transactions. Consequently, the PM assumes personal responsibility for all FMS transactions pertaining to new production vehicles. Figure 2 depicts the U.S. Army organization for security assistance. Figure 3 depicts the PEO-TWV organization.

2. Legislative And Judicial Branches

With respect to security assistance programs, both the Legislative and Judicial branches of the U.S. Government are actively involved. The Legislative Branch of the U.S. Government is responsible for the passage of security assistance laws, the appropriation of security assistance program funding, the Congressional approval for Government-to-Government agreements, and eligibility determination for participation in security assistance programs. The Judicial Branch is responsible for the interpretation of security assistance laws, and for the resolution of security assistance related contractual disputes.



Source: The Management of Security Assistance, DISAM, 1994.

Figure 2. United States Army Organization for Security Assistance

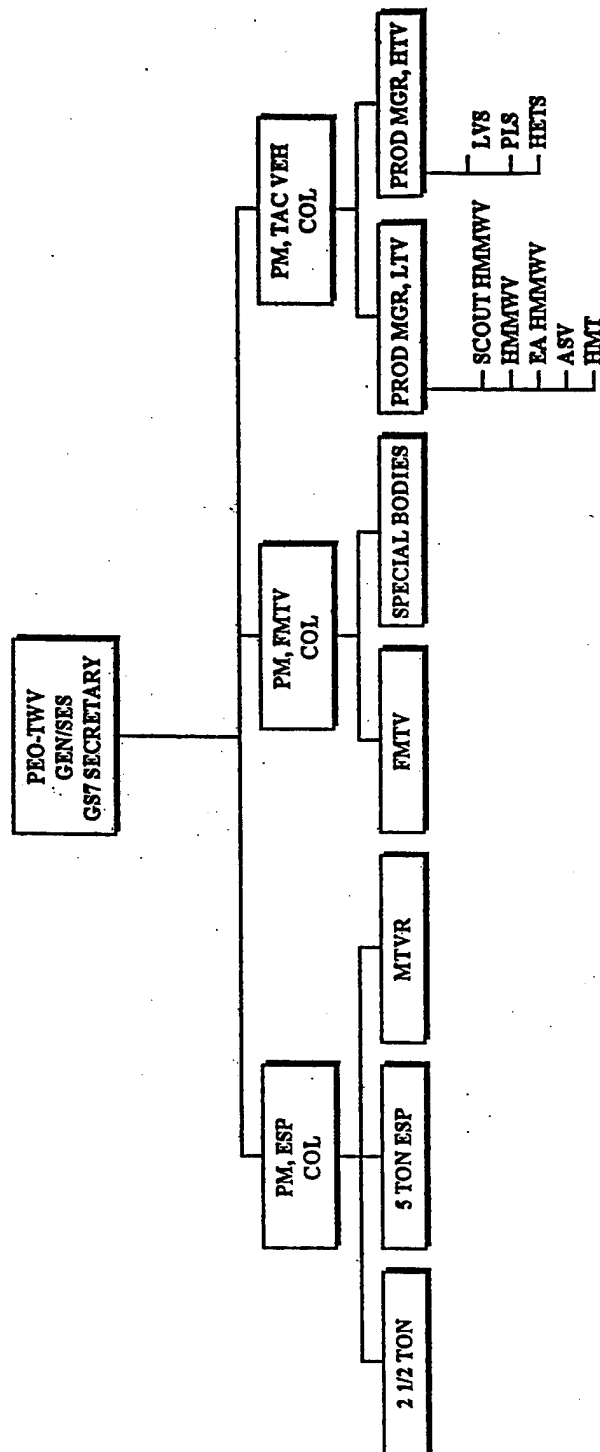


Figure 3. PEO-TWV Organization

D. CONGRESSIONAL LEGISLATION

All security assistance programs are subject to two Federal Laws, which provide for the authorization and appropriation necessary to control and fund the component programs. With respect to funding, security assistance legislation does not provide appropriation authority for FMS or commercial exports, since appropriated funds are not involved in these transactions.

1. The Foreign Assistance Act

The Foreign Assistance Act (FAA) was originally enacted on 4 September 1961, and gave purpose and direction to the foreign aid program. Congressional intent for the Foreign Assistance Act was to strengthen the security of the U.S. by assuring the security of other countries. This could be accomplished by providing military aid to foreign countries, as a deterrent against both internal and external aggression. Currently, however, the Foreign Assistance Act is the authorizing legislation for three security assistance programs: Peacekeeping Operations, the Economic Support Fund, and the International Military Education and Training program.

With respect to FMS however, the Foreign Assistance Act contains one restriction:

The President shall continue to instruct U.S. diplomatic and military personnel in the U.S. mission abroad that they should not encourage, promote, or influence the purchase by any foreign country of U.S. made military equipment, unless they are specifically instructed to do so by an appropriate official of the Executive Branch.
[Ref. 29:p. 3985]

2. The Arms Export Control Act

The Arms Export Control Act was originally passed as the Foreign Military Sales Act of 1968. This Act authorized the sale of defense articles and services by the U.S. Government to friendly foreign Governments. The Arms Export Control Act incorporates this original intent and now includes the governing, licensing and sale of defense items through direct commercial sales.

E. ETHICS AND STANDARDS OF CONDUCT

This section provides a general overview of the primary laws, regulations, directives, and policies which relate to ethics and standards of conduct for all personnel involved with security assistance.

1. Public Law 87-849 (18 U.S. Code)

This law specifies what conflicts of interest by Federal employees are subject to criminal penalties, from a breach of fiduciary duty. Fiduciary refers to the responsibility of a person "...holding a special relationship of trust, confidence or duty to act primarily for another's benefit." [Ref. 4:p. 459] Fiduciary duty, then, refers to the responsibility of all Government employees to place loyalty to country, ethical principles, and law, above private gain and other interests. Among those conflicts of interest subject to penalties are: [Ref. 4:p. 460]

- Bribery - The dishonest giving or offering of anything of value to a public official with the intent to influence or commit fraud.

- Graft - The use of one's position to gain something of value at the expense of another party (extortion).

2. Joint Ethics Regulation (JER), DoD 5500.7-R

This regulation is a single source on standards of ethical conduct and ethics guidance for all DoD personnel. With respect to this thesis topic, some of the major activities addressed by this regulation include the following: [Ref. 40:p. 1]

- Ethical Conduct.
- Official and personnel participation in non-Federal activities.
- Travel Benefits.
- Conflicts of Interest.
- Political Activities.

Additionally, the JER also incorporated DoD Directive (DoDD) 5500.7, Standards of Conduct, which addressed the attendance or participation of DoD personnel in social gathering that are hosted by foreign Governments. Although these incorporations were performed, and DoDD 5500.7 was canceled, the JER *does not* specifically address any actions by Government employees pertaining to foreign Governments.

3. DoD Office Of The Inspector General Guidelines

a. Defense Ethics, A Standards Of Conduct Guide For DoD Employees

This guide addresses questions and answers on ethical conduct primarily on: soliciting, gifts, policy, and bribery. [Ref. 38: p. iii]

b. Indicators Of Fraud In DoD Procurement

This document stipulates indicators of fraud to include the following: [Ref. 39:p. 1]

- Crimes involved in contract fraud.
- Fraud in Government contracts.
- Defective pricing.
- Anti-trust violations.
- Cost mischarging.
- Product substitution.
- Progress payment fraud.
- Fast pay fraud.
- Bribery.
- Gratuities and conflicts of interest.
- Commercial bribery and kickbacks.
- Civil, contractual, and administrative remedies for fraud.
- Voluntary disclosure of fraud.

F. SUMMARY

During the last decade, the geopolitical climate of the world has continually changed, giving rise to an increase in security assistance support from the United States. Through security assistance programs, the U.S. continues to promote both foreign and national security policies. It performs these functions through seven major program components: FMS and the Foreign Military Construction Sales program, the Foreign Military Financing program, the Direct Commercial Sales licensed under the Arms Export Control Act program, the International Military Education and Training program, the Economic Support Fund, Peacekeeping Operations, and the Nonproliferation and Disarmament Fund.

Organizations responsible for the implementation of these components include those from the Executive, Legislative and Judicial branches of the U.S. Government. These organizations implement these components through authorizations, appropriations and policies. With respect to the current U.S. security assistance program, two basic laws are involved: The Foreign Assistance Act is the authorizing legislation for IMET, ESF, PKO; while the Arms Export Control Act is the statutory basis for the conduct of FMS funding for FMF and the control of commercial sales of defense articles and services. Both laws specify conditions of eligibility for which countries must fulfill to qualify for security assistance program aid. Other laws applicable to the security assistance program include

those pertaining to ethics. Public Law 87-849 stipulates those actions which constitute conflicts of interest for Federal employees. Despite these stipulations on security assistance actions, however, the security assistance program continues to increase, making the U.S. a leader in world arms exports.

III. FOREIGN MILITARY SALES: DESCRIPTION OF THE THAILAND AND KUWAIT CASES

A. INTRODUCTION

This chapter reviews the policy and process involved in the FMS of new production vehicles, and describes the Thailand and Kuwait FMS cases. Specifically, it focuses on the FMS policies impacting tactical wheeled vehicles. The FMS process for new production vehicles is structured and evaluated by LOA phases. This chapter concludes by presenting the significant aspects of the FMTV FMS cases to Thailand and Kuwait.

B. FOREIGN MILITARY SALES PROGRAM

1. Background

As one of the seven components under security assistance, FMS allows for the sale of defense equipment to foreign Governments. It is a nonappropriated program through which ... "the President may...enter into contracts for the procurement of defense articles or defense services for sale for U.S. dollars to any foreign country." [Ref. 4:p. 252] One of the limitations with this program component, however, is the restriction that the U.S. Government cannot make or lose money during a FMS transaction. Thus, the customer country must pay all costs that may be associated with the sale.

Foreign Military Sales has become an increasingly important part of the U.S. security assistance program, as DoD continues to drawdown its force structure. During the

period Fiscal Year (FY) 1991-1993, the Tank - Automotive Command continued to be a significant player in the FMS program. During this period, the Tank - Automotive Command Security Assistance Center generated 7.4 billion dollars worth of automotive and armored systems sales worldwide, 41% of the U.S. Army Material Command's entire FMS business. Of this amount, truck sales to foreign Governments totaled over 1.2 billion dollars, equating to the sale of over 14,000 tactical wheeled vehicles to 16 different countries. Among these statistics, 82% of all new vehicles produced in 1994 were procured for foreign Governments. [Ref. 24] These acquisitions by foreign countries occurred through the FMS process.

2. Legislation

Legislation governing FMS includes provisions from the Foreign Assistance and Arms Export Control Acts. Pertinent FMS stipulations from these laws relevant to this research are as follows:

a. Conditions Of Eligibility For FMS

All foreign Governments are subject to conditions of eligibility before an FMS agreement can occur. These include: defense articles may not be sold to foreign Governments, unless the action improves the security posture of the U.S. Government; the customer country must be approved by Congressional action; and upon procurement, the customer country must agree to not transfer title of the purchased equipment to a third party. [Ref. 28:p. 725]

b. Overseas Management Of Assistance And Sales Programs

The President can assign any member of the Armed Forces to an overseas Security Assistance Organization for the purposes of equipment and services case management, and training management. Personnel in these positions are responsible for the following activities: [Ref. 4:p. 102]

- Monitoring the host country's equipment capabilities.
- Providing assessments of the equipment in terms of the host country's needs.
- Providing all U.S. equipment information requested by the host country.
- Ensuring that the FMS agreement is implemented in accordance with the desires of the host country.

c. Procurement Sales

The U.S. Government may procure defense items for the customer country, if the country agrees to repay the full amount of the purchase cost. Such transactions are reimbursed through an FMS agreement between the recipient country and the U.S. Government.

3. FMS Policies Impacting Tactical Wheeled Vehicles

In addition to the Federal Laws that govern security assistance, policies that impact the FMS program include those from the Departments of State, Commerce and Defense. Before these policies can be applied however, a determination must be made concerning which agency of the

Federal Government has jurisdiction over the exporting of the vehicles [Ref. 7:p. 1]. Although guidance by the Department of State specifies that an Export License under the International Traffic in Arms Regulation is not required, ambiguities still exist. For example, this guidance also suggests that a determination must be made to ascertain whether the vehicle is on the Munitions List [Ref. 15:p. 3].

a. Department Of State

(1) Title 22 U.S. Code of Federal Regulation 120.5, Foreign Relations and Intercourse. This policy states that the office of Munitions Control must determine whether a defense article is on the Munitions List. If a doubt exists within the U.S. Government concerning whether an article is on the Munitions List, a Commodity Jurisdiction procedure must result. This procedure entails consultations among the Departments of State, Commerce and Defense. [Ref. 42:p. 345]

Additionally, this code specifies that the Military Articles and Services List must also be checked. This list is published quarterly and updated weekly, and is distributed to the agencies which prepare Letters of Offer and Acceptance. It provides a listing of the military articles and services that can be offered under Foreign Military Sales. Since it is DoD policy that equipment sold through FMS reflect favorably upon the U.S., this list specifies those vehicles that meet established sale criteria. Vehicles sold through FMS will normally be new or

unused, or, as a minimum, have serviceability standards prescribed for issue to the U.S. forces.

(2) International Traffic In Arms Regulation amendment, Munitions List. An amendment to the International Traffic In Arms Regulation delineates those military vehicles that are on the Munitions List and therefore are under the jurisdiction of the Department of State for export control. These vehicles are:

Category VII - Tanks and Military Vehicles

...(d) Military trucks, trailers, hoists, and skids specifically designed, modified, or equipped to mount or carry weapons of Categories I, II, and IV or for carrying and handling the articles in paragraph (a) of Categories III and IV. [Ref. 41:p. 39288]

b. Department Of Commerce

Regulations from the Department of Commerce, Bureau of Export Administration, further clarifies ambiguity in identifying those vehicles considered on the Munitions List. Generally, those vehicles not on the Munitions List are considered non-combat military vehicles and are licensed by the U.S. Department of Commerce.

(1) Supplement No. 1 to Title 15 U.S. Code of Federal Regulation 799.2 at Interpretation 19. This code states that for purposes of U.S. export controls, military automotive vehicles 'possessing or built to current military specifications differing materially from normal commercial specifications' may include, but are not limited to, the following characteristics: [Ref. 35:p. 658]

- Special fittings for mounting ordnance or military equipment.
- Bullet-proof glass.
- Armor plating.
- Fungus preventive treatment.
- Twenty-four volt electrical systems.
- Shielded electrical system (electronic emissions suppression).
- Puncture-proof or run-flat tires.

The code further states that these military automotive vehicles fall into two broad categories: military automotive vehicles on the Munitions List, new and used; and military automotive vehicles not on the U.S. Munitions List, new and used. Military automotive vehicles on the Munitions List are primarily combat (fighting) vehicles, with or without armor and/or armament, designed for specific fighting functions. These automotive vehicles are licensed by the U.S. Department of State. Military vehicles not on the Munitions List are primarily transport vehicles designed for non-combat military purposes. These purposes include: transporting cargo, personnel and/or equipment; and towing other vehicles and equipment over land and roads in close support of fighting vehicles and troops. These automotive vehicles are licensed by the U.S. Department of Commerce.

(2) International Traffic In Arms Regulation at Title 22 U.S. Code of Federal Regulation 123.4. In cases where trucks are used for demonstration purposes and not a permanent export, a Temporary License is needed. For a vehicle on the Munitions List, a Temporary Export License is authorized under Title 22. [Ref. 41:p. 725] (For a vehicle on the Commodity List, temporary licenses are authorized under Title 15 U.S. Code of Federal Regulation 771.22)

c. Department Of Defense Policies

The DoD Security Assistance Management Manual (SAMM) 5105.38-M, establishes the DoD policies relevant to Foreign Military Sales. This manual states that FMS of U.S. defense equipment to foreign Governments should only be approved when they are consistent with U.S. foreign policy interests. Additionally, marketing of defense products should be left to U.S. defense industries, unless specifically approved in advance by the Defense Security Assistance Agency (DSAA).

Department of Defense manual 5105.38-M, Section 601 establishes the policies regarding contractor preference for direct commercial sales. Direct commercial sales preference recognizes the contractor's desire to sell directly to countries that are approved to receive defense articles and services granted by statute, as opposed to a Government-to-Government agreement through Foreign Military Sales. This preference is implemented by the U.S. Government as a courtesy to industry as a method of promoting the industrial base. [Ref. 36:p. 601-1]

Department of Defense manual 5105.38-M, Section 602 sets forth the policy and the commercial industries relationship with the in-country Security Assistance Officer. The in-country Security Assistance Officer is the central point of contact for commercial industries interested in marketing any defense equipment. Additionally, in conjunction with Security Assistance Organization responsibilities, the Security Assistance Officer is responsible for assisting in the flow of information to potential customer countries. This action is a courtesy to the host Government to help them determine whether to purchase vehicles through direct commercial sales or through Foreign Military Sales. [Ref. 36:p. 602-1]

d. Department Of The Army Policies And Regulations

(1) Army Acquisition Executive Policy Memorandum, dated 1 December 1993: Subject: Marketing of U.S. Defense Equipment. This memorandum specifies the following instructions for in-country Security Assistance Officers: [Ref. 11:p. 1]

- Support marketing efforts of U.S. Companies.
- Provide country information (budget, decision making process, equipment needs, indigenous defense products).
- Assist with scheduling appointments for U.S. Government and industry officials.
- Remain neutral between U.S. competitors (do not promote any single U.S. company).

(2) Army Acquisition Executive Policy Memorandum #90-7, dated 30 November 1990: Subject: Security Assistance. This policy promulgates the Department of the Army position on security assistance with respect to Foreign Military Sales. It emphasizes the Army's commitment to the security assistance program and encourages PMs to integrate security assistance activities with DoD requirements in their respective programs. Additionally, this policy promotes support of FMS cases, and states that although marketing should be left to contractors, the PM should facilitate sales when possible.

An addendum to this policy further clarifies the role of the PM with respect to certain agencies. The policy stipulates that the U.S. Army Material Command (AMC) is the Department of the Army executive agent for approved security assistance programs. This role is performed through the U.S. Army Security Assistance Command (USASAC), and the major subordinate commands. Responsibilities of the PM with respect to security assistance and these agencies are as follows: [Ref. 10: p.1]

- Participate in the development and execution of Security assistance agreements.
- Provide advice, assistance, and recommendations to the U.S. Army Material Command for the weapon systems.
- Consider the possibility for development of an export model of the weapon systems.

- When it will enhance national security interests, provide the materials to demonstrate the weapon systems to assist in either the coproduction or sale of the item. This is accomplished in conjunction with the U.S. Army Material Command (AMC).
- Ensure that a continuing flow of information occurs between AMC, and the major subordinate command security assistance activity, to U.S. Army Security Assistance Command (USASAC) on projects having relevance to security assistance programs.

(3) Army Acquisition Executive Policy Memorandum #91-4, dated 28 February 1991: Subject: Matrix Support Policy for Program Executive Officer (PEO) Managed Systems. This policy stipulates the Department of the Army position on FMS funding. It specifies that all FMS work should be resourced by FMS dollars through the major subordinate command matrix support. With respect to the PM, Tactical Wheeled Vehicles, this translates into the Tank - Automotive Command matrix support agencies supporting all FMS work. Further, if the PM *must* perform FMS work, then any Memorandum of Understanding governing the agreement between the Tank - Automotive Command and the PM must include provisions for reimbursement from the applicable FMS accounts [Ref. 9:p. 1].

(4) The U.S. Army Security Assistance Command Memorandum, dated 14 May 1992, Subject: Security Assistance Support for FMS Cases Involving Tactical Wheeled Vehicles. This document presents policy for both the PM and the security assistance activity at the Tank - Automotive

Command. A synopsis of these policies is provided below:

[Ref. 14: p.1]

- PMS should be integrated with security assistance, due to their technical knowledge of their systems, but with parameters limiting their authority.
- Security assistance representatives should be included in all discussions with foreign representatives, and will determine if the PM needs to be present.
- U.S. Army Security Assistance Command should be the provider of all information to the customer, and the responder to all requests.

(5) U.S. Army Regulation, 12-8, dated 21 December 1990, Subject: Security Assistance Operations and Procedures. This regulation specifies policies and prescribes procedures for the sale of items of equipment and services to friendly foreign nations. With respect to the Thailand FMS case, this regulation also specifically states that ... "the Government of Thailand has been granted an exception to purchase articles and services identified as available through direct commercial sales, through FMS." [Ref. 8:p.31] (Kuwait became more involved in FMS after 1991. Consequently, this regulation does not address Kuwait, due to its publication date of 1990.)

e. Tank - Automotive Command Security Assistance Center Policies

The Tank - Automotive Command Security Assistance Center has a Business Plan, which gives

general guidance for the implementation of FMS cases. Their mission is to augment the warm production of the U.S. defense industrial base, through the sale of automotive and armament equipment to U.S. friends and allies. Policies include: creating the opportunity to send business to U.S. manufacturing sources; and, supporting vehicle fleets already sold to customer countries, by helping contractors use the FMS process to find markets for their products and services which support equipment already sold. [Ref. 16:p. 2]

Additionally, the Business Plan Annex addresses the responsibilities of the Tank - Automotive Command Security Assistance Center for Foreign Military Sales. These responsibilities include the following:

- Develop all LOA information to include:
 - Price and Availability information.
 - Congressional notifications.
 - Support concepts, and sustainment packages.
- Provide all planning information during the implementation of the LOA to include:
 - Cost summaries.
 - Delivery schedules.
- Manage active, new production FMS cases for vehicles to include these actions:
 - Request obligation of funds.
 - Make program changes by requesting modifications to the contract, if needed.
 - Requisition concurrent spare parts.
- Ensure material is supplied and services are completed during LOA execution to include:

- Delivery of vehicles to the recipient country.
- Providing for quality assurance inspections of delivered vehicles.
- Assisting customers on technical matters.

4. Types Of Vehicle FMS Cases

There are several types of FMS cases used for the purchase of tactical wheeled vehicles. These FMS cases are usually categorized into one of three distinct types: Defined Order, Blanket Order, and Cooperative Logistics Supply Support Arrangement [Ref. 4:p. 187]. Many FMS agreements are Defined Order cases, specifically delineating the quantities and types of vehicles, as stated in both the LOR and the Letter of Agreement. (Department of the Army refers to this type as a Standard Sales case.) The second type of agreement is a Blanket Order case, which is an agreement between the customer country and the U.S. Government for a category of vehicles, but with no definitive quantity specified. With this type of case, a monetary ceiling is established and the customer continues to purchase vehicles as long as funds are available. This case is also used to purchase spare and repair parts, technical services, support equipment, and training. The third type of FMS case is the Cooperative Logistics Supply Support Arrangement (CLSSA). This is a military logistics support arrangement for follow-on sustainment support for the vehicles procured.

5. Methods For Fulfilling Vehicle FMS Cases

In general, there are two methods by which the U.S. Government may fulfill an FMS agreement for vehicles. The primary method is to sell vehicles presently in the DoD inventory. The second method is through the purchase of new production vehicles. Which method is used however, will depend upon the terms of the FMS agreement between the U.S. Government and the recipient country.

a. Sale From the DoD Inventory

The primary method of fulfilling an FMS vehicle agreement occurs through the sale of trucks from the current DoD tactical wheeled vehicle fleet. If the customer country desires to purchase vehicles that are presently in the fleet inventory, the Tank - Automotive Command Security Assistance Center assigns a country manager to oversee this case. This manager receives information from the PM regarding all aspects of the vehicles capabilities, and characteristics, as well as recommendations for vehicle support and sustainment requirements.

b. Sale Of New Production Vehicles

The second method of fulfilling an FMS vehicle agreement occurs through the sale of new production vehicles, which are already under contract by the U.S. Government. If the foreign Government desires to purchase new production vehicles, such as the FMTVs, the Tank - Automotive Command Security Assistance Center assigns a country manager. Because of previous methods for handling equipment already in the DoD inventory, this country manager has the responsibility to manage and provide immediate

oversight for all of the transactions and activities occurring during the FMS process for new equipment.

In general, the U.S. Government procures the new equipment from the U.S. producer, and then resells the equipment on a cash or credit basis to the foreign Government through an FMS agreement [Ref. 24]. The security assistance community is responsible for determining how the FMS agreement will be fulfilled. For example, the original production plan can be altered, whereby the recipient country would receive vehicles originally slated for the U.S. Government. If this course of action is selected, however, permission must be obtained from the Department of the Army, Deputy Chief of Staff for Operations (DA DCSOPS). Regardless of how the requirement is fulfilled however, accomplishment of the FMS case will result in a production quantity change in the contract between the U.S. Government and the contractor.

6. FMS Administrative Fees For New Tactical Wheeled Vehicles

The Arms Export Control Act requires the U.S. Government to recover all costs applicable to the FMS agreement, on a non-profit basis. Generally, in the case of a new procurement, this includes the full amount of the FMS agreement, plus appropriate charges for the following: administrative services, nonrecurring costs of research, development and production for the vehicles, and ordinary inventory losses. [Ref. 4:p. 273]

With respect to the FMS of new tactical wheeled vehicles, the Tank-Automotive Command Security Assistance

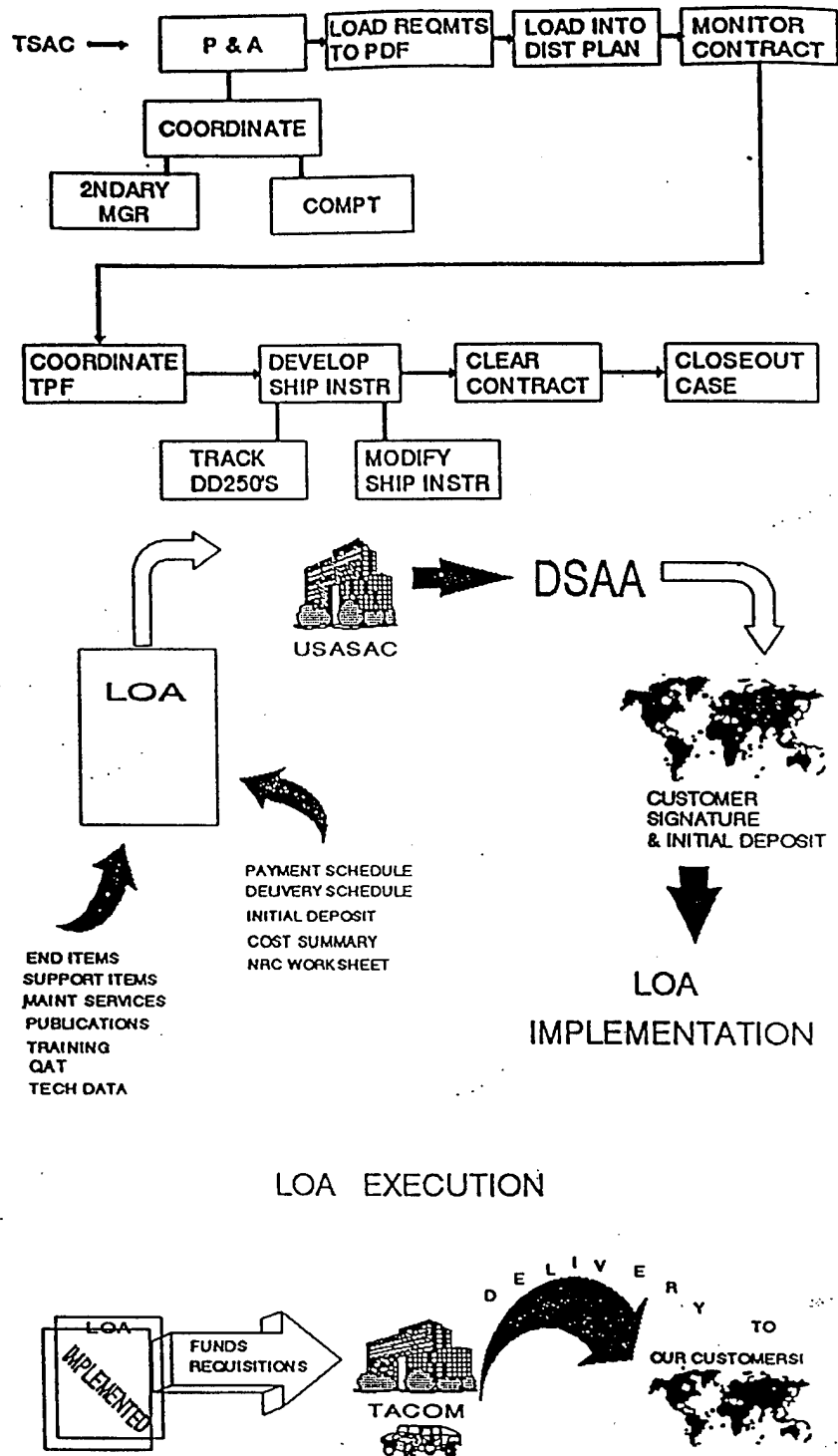
Center currently receives the administrative fees, because they are the designated lead agency for FMS actions. The Tank-Automotive Command Security Assistance Center supports all FMS activities and related personnel pay with the 3% administrative fee that is applied to every FMS agreement. Under existing policies, the PMO does not receive any direct FMS funding to support FMS activities.

C. FMS PROCESS FOR NEW TACTICAL WHEELED VEHICLES

To acquire new vehicles from the U.S. Government, many activities are necessary to ensure the successful completion of the FMS process. This section presents a brief description of the current new tactical wheeled vehicle FMS process, and identifies the primary activities that occur in each of the four phases of the process. These phases are: Pre-LOA, LOA Development, LOA Implementation, and LOA Execution (see Figure 4).

1. Pre-LOA Phase

With respect to new tactical vehicles, the FMS process begins with a vehicle requirements determination by the foreign Government. The customer country identifies a truck type as a result of vehicle demonstrations, or solicits information from the security assistance community. Once the customer identifies a particular type of vehicle for purchase, the country sends a Letter of Request. This Letter of Request (LOR) signifies the customer country's intent to proceed with an FMS case, and precedes the preparation of a Letter of Offer and Acceptance. The LOR is



Source: TACOM Security Assistance Center

Figure 4. New Tactical Wheeled Vehicle FMS Process

submitted through the U.S. Embassy, and should be addressed to the Department of the Army, with information copies sent to the Defense Security Assistance Agency. The LOR must state whether it is a request for Price and Availability data, which is a very rough estimate of the cost and availability of the vehicles, or whether it is a formal request for a Letter of Offer and Acceptance. Before any further action is taken on the LOR, however, it must be reviewed. The review validates that the potential customer is eligible for the FMS; that the vehicles or services sought may be sold; and that the request was received through proper channels. To determine eligibility of the customer, the DSAA reviews Congressional data and convenes a Security Assistance Review conference with the requesting Government.

To determine whether the vehicles requested can also be sold, the DSAA checks the requested vehicles against the Munitions List and the Military Articles and Services List. If the customer country desires new vehicles exclusively, this requirement is specified in the LOR and set forth in the Letter of Offer and Acceptance.

Upon review of the LOR, the U.S. Government then decides to act on the request. If the U.S. decides to act favorably on the request, the request will be forwarded to the U.S. Army Security Assistance Command, and then on to the Tank - Automotive Command Security Assistance Center. If the U.S. Government decides against acting on the request, a negative response is then sent to the foreign Government.

2. LOA Development

The LOA represents a bona fide offer by the U.S. Government to sell the described vehicles through an FMS agreement. The development and preparation of the LOA is the responsibility of the Tank - Automotive Command Security Assistance Center. Once the LOR is received by the Tank - Automotive Command Security Assistance Center, all documentation relating to the formulation of the FMS agreement is prepared. The LOA is assigned a country manager to oversee the case, and a number that identifies the specific vehicles requested from the Letter of Request. This number is unique, identifies each LOA for accounting purposes, and establishes the LOA as an FMS case.

Subsequent to the Tank - Automotive Command Security Assistance Center's processing of all the information to complete the LOA, it is sent forward for approval. The LOA is transmitted to the DSAA, through the U.S. Army Security Assistance Command. From the DSAA, it is sent to the Department of State. The Department of State notifies Congress of the pending Letter of Offer and Acceptance. If Congress does not block the sale, the LOA is sent to the foreign Government for acceptance and signature. [Ref. 19]

3. LOA Implementation

The LOA becomes an FMS agreement, ready for implementation, when it is formally accepted by a representative of the purchasing nation. The customer country only has 60 days to accept and sign the LOA, and forward it with the required initial payment. All cases not received within ten days of the expiration date on the LOA

are canceled. If the purchaser knows that they cannot meet the expiration date, they must request an extension.

4. LOA Execution

After the signed LOA and initial deposit are received, the LOA is executed. The process for execution begins when the Defense Finance and Accounting Service releases the obligation authority to the Department of the Army to allow for the requisitioning of funds. Obligation authority is evidence that proper case acceptance, including the cash deposit from the purchasing country, has been received, and that the case may be implemented. The Tank - Automotive Command Security Assistance Center country manager for the FMS case then initiates the purchase request to the appropriate contracting officer to execute the FMS case. For new production vehicles, the PM must be immediately notified of the impending LOA execution. The LOA Execution phase concludes with the actual production performed, and the delivery of the vehicles to the recipient Government.

D. THAILAND AND KUWAIT FMS CASE DESCRIPTIONS

1. Background

Since Desert Storm, allies such as Thailand and Kuwait have sought to improve their defensive posture by developing strategic modernization plans that have included the modernizing of their Army equipment. As part of these modernization plans, both countries have negotiated with the U.S. for procurement of new vehicles belonging to the Family of Medium Tactical Vehicles. These trucks are essential to the modernization program of both countries,

since their current fleets are comprised of either antiquated or outmoded transportation assets.

The FMTVs are a new weapon systems program, constituting a new family of vehicles that are the next generation of 2.5 - 5 ton medium trucks for the U.S. Army (see Figure 5). The total estimated U.S. acquisition cost for this program is \$17.2 billion, with a unit price for each truck of approximately \$91,000. In October 1991, the Army awarded a 5-year, Firm-Fixed-Price with Economic Price Adjustment contract, to Stewart & Stevenson Services (S&S), Sealy, Texas. This contract is the first of six such multi-year contracts, planned for the production of 10,843 FMTVs. [Ref. 23] The U.S. Government has a 100% option to the original production contract. Initial low-rate production deliveries to the Army began on May 27, 1993, with fielding scheduled for December, 1995. [Ref. 5:p. 1]

The FMTVs were developed in response to the Army's need for greater endurance and performance. These vehicles have a high reliability rate, and innovative features, combining advanced European design with the unmatched performance and reliability of U.S. drive train and systems technology [Ref. 19]. This vehicle system offers both a 2.5 ton and 5 ton version truck with several different configurations. Both the 2.5 and the 5 ton family of vehicles share the same chassis, and have a 90% parts commonality among all variants of the family. Innovative features of the FMTVs include: fully automatic, full-time all-wheel drive; Central Tire Inflation System - allows for in-cab inflating and deflating of tires; interior storage compartment for gears; cab

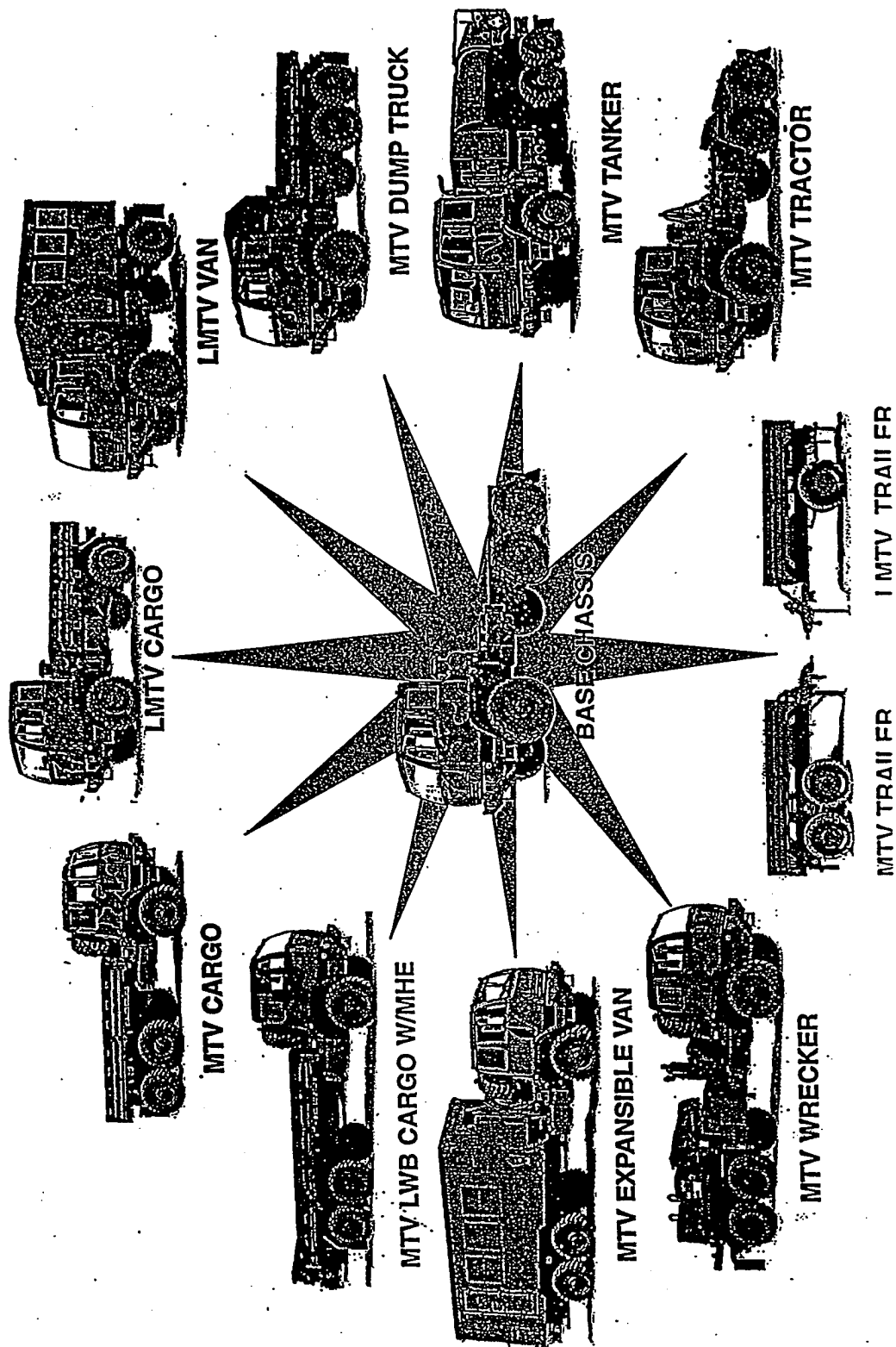


Figure 5. Family of Medium Tactical Wheeled Vehicles

tilt forward for maintenance ease, and maneuverability across hills with 30% slope gradients [Ref. 20].

Due to the family concept of these vehicles, reduced overall acquisition and life cycle costs are significant benefits. Reduced acquisition costs are the result of decreased component parts; and decreased logistical support costs related to training, manuals, and spare parts. Additionally, decreased overall life cycle costs are a result of better fuel economy, reliability, and improved warranties. These benefits have made the FMTVs attractive vehicle procurements for both Thailand and Kuwait [Ref. 32:p.1]. Consequently, both countries have sought to procure these vehicles through the FMS process.

2. Thailand FMS Case Description

a. Pre-LOA Phase

The sale of the FMTVs to Thailand began with a vehicle requirements study that occurred in 1993. The determination for vehicle requirements was based on vehicle demonstrations conducted by the FMTV contractor (S&S), and the PMO, Family of Medium Tactical Vehicles. These demonstrations occurred at the 1993 International Defense Exhibition in Abu Dhabi [Ref. 12:p.1].

Subsequent to this exhibition, Thailand sent a LOR to the U.S. Government requesting further information on the Family of Medium Tactical Vehicles. This LOR was sent by the Thailand Government to the Joint U.S. Military Advisor Group - Thailand requesting the price and availability of the vehicles. The Joint U.S. Military Advisor Group - Thailand sent the LOR to the U.S. Army Security Assistance

Command. Subsequent to this action, the U.S. Army Security Assistance Command contacted the Tank - Automotive Command Security Assistance Center, who in turn contacted the Project Management Office.

Following this initial dialog between Thailand and the U.S., the PMO sent a letter to the Commander, Thailand Supply and Transportation Command acknowledging Thailand's interest in the Family of Medium Tactical Vehicles. This letter reiterated the U.S. commitment to this family of vehicles. It also informed the Thailand commander that initial testing of the FMTVs had begun at Aberdeen Proving Ground, Yuma Proving Ground, and Fort Bragg.

After continuing dialog between the PM and the Thailand commander, the Tank - Automotive Command Security Assistance Command then requested a security assistance review conference. This request was sent to the U.S. Army Security Assistance Command, and then to the Defense Security Assistance Agency to determine Thailand's eligibility to procure vehicles from the United States. Ensuing communication between the U.S. and the Thailand Government ultimately resulted in a security assistance review conference held in Bangkok, Thailand. This conference was actually a negotiation forum where facts and information relevant to the FMS of the vehicles were exchanged and negotiated. Participants of this negotiation forum included representatives from the Tank - Automotive Command Security Assistance Center, the U.S. Army Security Assistance Command, the PMO, and representatives from the Thailand military and Government. Discussions at this

conference included a complete financial review for FMS funding, payment concerns, cash management, case implementation, case closure, and supply issues. [Ref. 13: p.2]

Subsequent to this security assistance review, the Joint U.S. Military Advisor Group (JUSMAG) - Thailand sent a request on behalf of the Thailand Government for the Price and Availability data for vehicles belonging to the Family of Medium Tactical Wheeled Vehicles. After numerous further conversations among the security assistance community, the PMO and Thailand, an LOA for Thailand was drafted.

b. LOA Development

An LOA for Thailand was actually developed by the PMO and prepared by the Tank - Automotive Command Security assistance Center. Details comprising the LOA were compiled by several activities in the PMO, and were submitted to the Tank - Automotive Command Security Assistance Center for the preparation of the LOA document. An FMS agreement consisting of the LOA was negotiated with input by the PMO, the security assistance community and Thailand. The resulting FMS agreement occurred as a cost-reimbursement contract between Thailand and the United States [Ref. 22]. The negotiated agreement resulted in the Thailand Government procuring a small quantity of FMTVs previously slated for the U.S. Government.

c. LOA Implementation

Since the U.S. already had a contract negotiated with S&S for the production of the FMTVs, PMO negotiations resulted in a modification to the existing contract between

the U.S. Government, and Stewart and Stevenson. This modification to the original contract replaced the quantity of vehicles sold to the Government of Thailand through the FMS agreement. Thus, negotiations resulted in Thailand purchasing 70 M1088 5 ton tractor trucks. This agreement also included: support equipment, concurrent spare parts, quality assurance team support and equipment publications.

The FMS agreement was a fourteen page document that consisted of five pages for the signed contract with another nine pages of general provisions, clauses, terms and conditions. The basic contract stipulated an agreement between the two countries on the estimated cost of the vehicles, and the description and quantity of items contracted. The ten page attachments of general provisions included agreements on the following issues: availability of contracted items, components of testing equipment, transportation arrangements, concurrent spare parts, follow-on support requirements, supportability, and quality assurance team issues. One clause inherent in the FMS agreement, the Tax Exempt Clause, addressed the fact that the articles and services purchased were tax exempt. [Ref. 6:pp. 1-14]

d. LOA Execution

Upon contract modification with S&S, the LOA was executed by the Project Management Office. Execution of the LOA allowed for the manufacturing and eventual future delivery of the vehicles required by the FMS agreement.

3. Kuwait FMS Case Description

a. Pre-LOA Phase

The sale of the FMTVs to Kuwait also began with a proposed vehicle requirements study that occurred in 1993. This study for vehicle requirements was based on vehicle demonstrations performed by S&S, which occurred at the 1993 International Defense Exhibition in Abu Dhabi. Kuwaiti officials observed vehicles belonging to the FMTVs at this exhibition, and subsequently requested a more private demonstration of the vehicles at Kuwait. Representatives from several nations, as well as, their comparable FMTVs, were also invited to attend the demonstration in Kuwait.

After evaluating two days of intense truck trials in the Kuwaiti desert, Kuwait sent a LOR to the U.S. Government requesting further information on the Family of Medium Tactical Wheeled Vehicles. This LOR was sent by the Kuwaiti Government to the U.S. Embassy in Kuwait, and requested information on vehicle characteristics and capabilities. The embassy passed the LOR to the Defense Security Assistance Agency, who in turn passed it through the U.S. Army Security Assistance Command, to the Tank - Automotive Command Security Assistance Center. Finally, the PMO was contacted to actually provide the information on the vehicles. Following this inquiry, the PMO was proactive in maintaining an open dialog among the Tank - Automotive Command Security Assistance Center, S&S, and Kuwaiti officials, regarding possible vehicle procurement for Kuwait.

b. *LOA Development*

Although Kuwait sent an LOR, the LOA has yet to be finalized. A proposed LOA was developed in accordance with information supplied by the PMO, and prepared by the Tank - Automotive Command Security Assistance Center. However, Kuwait decided to indefinitely postpone LOA negotiations, due to financial constraints. [Ref. 25]

IV. ANALYSIS: THAILAND AND KUWAIT FMS CASES

A. INTRODUCTION

This chapter presents an analyzes of the Thailand and Kuwait FMS cases. Cases are compared and contrasted with respect to five different perspectives: 1) comparative analysis of the PMO's actions in the LOA phases, 2) functional analysis of the security assistance agencies involved in the FMS process, 3) functional management role analysis of the PM, 4) ethical considerations concerning FMS and the PM, and, 5) the impact of FMS on the industrial base.

B. COMPARATIVE ANALYSIS: PMO ACTIONS IN LOA PHASES

This section presents a comparative analysis of both FMS cases and examines similarities and differences in the actions of the PMO during the various LOA phases of the FMS process. The analysis of the PMO actions during the LOA phases will assist in determining the functional management roles of the PM during the FMS process.

1. Similarities

a. Pre-LOA Phase

(1) Requirements Determination. Analysis with respect to the PMO, FMTVs reveals that in both FMS cases, pre-LOA discussions were frequently integrated with vehicle demonstrations to assist the customer country in requirements determination. In today's worldwide market, foreign Governments often use truck competitions and tests to compare vehicle capabilities to assist them in selecting

tactical wheeled vehicles for future procurement. In fact, many customer countries *insist* on vehicle demonstrations and comparative testing, and they specifically seek the opinions of the PMO, with respect to the demonstrated vehicle [Ref. 19]. The first-hand knowledge of the PMO is thus critical in demonstrating the capabilities of the trucks to their fullest potential. Consequently, the importance of the PM's involvement in the FMS process, particularly with regard to vehicle demonstrations and pre-LOA discussions cannot be overemphasized.

The initial pre-procurement negotiations between the U.S. and Thailand and Kuwait actually began with demonstrations of the vehicle. For example, preliminary demonstrations of the FMTVs by the PMO began during the 1993 International Defense Exhibition in Abu Dhabi. Defense vendors from around the world were represented at this International Defense Exhibition, displaying both tactical vehicles (trucks) and combat vehicles (tanks). Although the event was not officially sponsored by DoD, the Defense Security Assistance Agency allowed military representatives from the PMO to attend. Consequently, military representatives attended in support of the U.S. firms that interacted with the PMO, and learned of potential competitors in the world market. United States vendors were among many exhibitors including those from Germany, France, Russia, Great Britain, and South Africa. During this exhibition, the PMO assisted in the demonstrations of the vehicle, and later conducted more extensive demonstrations in Thailand and Kuwait. Subsequent to these truck

demonstrations, both countries sought additional information from the PMO and began pre-LOA discussions. Thus, in each FMS case, truck demonstrations were vital to the sale of the vehicles.

(2) Pre-LOA Negotiations. During pre-LOA discussions in both FMS cases, the expertise and credibility of representatives from the PMO, as military members of the U.S. Government, were critical to potential buyers and took precedence over any information presented by the contractor. Throughout the 1993 Abu Dhabi Exhibition for example, potential buyers stated that information presented by the PMO was of critical importance to them. Due to the PMO's experience and knowledge of the vehicles capability, potential buyers of the vehicles were more confident of the responses from the PMO, rather than those of the contractor. In fact, the officials from Thailand were so impressed with the demonstrations and the information given concerning the vehicle and its capabilities that a LOR was sent to the United States. Upon receipt of the LOR, the PMO was immediately informed and was involved in open dialog with the Thailand officials at an early stage in the FMS process.

Likewise, when vehicles belonging to the FMTVs were tested in Kuwait, a representative from the PMO was present throughout the demonstration to observe and support the U.S. contractor and to provide information for discussions. Although the contracting representative tried to work in concert with the PMO in answering questions, the Kuwaiti military officials expressed a preference for discussing the vehicle characteristics and capabilities with

the military members from the Project Management Office. During the conduct of the testing, the PMO learned that some of the Kuwaiti senior leadership did not have sufficient knowledge of the trucks to reach an adequate procurement decision and were completely unreceptive to contractor provided information. Additionally, rumors planted by other worldwide competitors had swayed the Kuwaiti leadership into believing that the Pentagon had suspended all testing of the FMTV, making it an undesirable vehicle for purchase. Thus, to counteract these accusations, and to inform the Kuwaiti leadership of the capabilities of the vehicles, an appointment with Kuwaiti military and Government officials was arranged by the PMO to further discuss these issues. The PMO briefed on the entire FMTV program, to include testing statistics, vehicle specifications and capabilities, medium tactical vehicle comparison statistics, and the strength of the U.S. spare parts system. Additionally, the PMO established credibility with the Kuwaiti officials by expounding on personal experiences of truck performance in Operation Desert Storm and comparing those truck experiences with the capabilities of vehicles belonging to the Family of Medium Tactical Vehicles. Consequently, this personalized dialog, coupled with real-world experience, resulted in a more favorable attitude toward the FMS of the Family of Medium Tactical Vehicles.

Subsequent to two days of desert terrain testing, the Kuwaitis completed the truck trials and then spoke with the PMO regarding a recommendation for the actual type of purchase - FMS or direct commercial sale. The

decision for the sale of the FMTVs through FMS, as opposed to direct commercial sales, was decided subsequent to information provided by the Project Management Office. The Kuwaitis determined that a sale through FMS would allow for greater overall vehicle support from the U.S. Government, particularly in the logistical support area. Because follow-on support was directly linked to weapon systems operations and maintenance crew training, Kuwait expected to capitalize on the experience and knowledge of the PMO through the recommendation for the appropriate support requirements necessary for the sale. Thus, the resulting draft Cooperative Logistics Supply Support Arrangement, provided through FMS, was vastly important to maintaining vehicle readiness and was recommended by the Project Management Office.

(3) Post Negotiations. Following negotiations with country representatives, the PMO was instrumental in problem-solving throughout the Pre-LOA phase of the vehicle procurement. In the FMS case with Thailand, for example, the criticality of the PMOs assistance was demonstrated by the request from Stewart and Stevenson (S&S) for assistance from the Project Management Office. Stewart and Stevenson contacted the PMO, and asked for assistance in keeping the 'ball rolling' with the Thailand Government [Ref. 33: p.1]. Although the Thailand Government had contacted the contractor for further information, they were not satisfied with the information received. Consequently, the contractor was concerned about losing a potential sale and therefore requested assistance from the Project Management Office.

The PMO responded by contacting Thailand to see if they needed any assistance in understanding the capabilities of the vehicle. Eventually, the PMO made recommendations concerning which vehicles in the family would best satisfy their mission requirements.

Similarly, with regard to the Kuwaiti case, S&S contacted the PMO to support additional FMTV truck tests and demonstrations in Kuwait. As one of the competitors for a potential truck sale to Kuwait, S&S received an initial invitation from Kuwait requesting competitive testing and demonstration of the 2.5 ton truck belonging to the Family of Medium Tactical Wheeled Vehicles. After receiving this request, S&S realized that they needed assistance obtaining various permits to transport the vehicles to Kuwait. Stewart & Stevenson had obtained air freight space on Air France airlines from Houston Intercontinental Airport to ship the vehicle from the manufacturing facility in Texas to Kuwait. Although shipping documentation was prepared in accordance with the same procedures previously used on another shipment, the U.S. Customs Service would not allow shipment of the vehicle. The U.S. Customs representative advised S&S that the Customs interpretation of the regulation was that the vehicle was specifically designed, modified, or equipped to mount or carry weapons as defined in the International Traffic in Arms Regulation, Category VII. Thus, S&S had to obtain clearance from the U.S. Department of State to ship the vehicle. After further discussions between S&S and U.S. Customs, S&S could not receive the clearance. This situation created a significant frustration in the shipment process,

and S&S then resorted to contacting the PMO for assistance.
[Ref. 33:p. 1]

Since the Kuwaiti truck test was supported by the PMO, the PMO assisted in the release of the vehicle. After numerous calls by the PMO to agencies within the State and Commerce Departments, as well as, the U.S. Customs Service, the State Department finally cooperated and granted a Temporary Export License. Without the perseverance of the PMO in assisting the contractor, the vehicle would not have been released. After obtaining clearance for vehicle shipment, S&S contacted the airline, only to learn that the cargo space had been sold! Because the airline was told by U.S. Customs officials that the vehicle would not be shipped that day, the airline sold the space. Consequently, the PMO was again contacted by S&S to assist in maintaining an open dialog with Kuwait to explain the shipment circumstances. Eventually, the demonstration vehicle arrived in Kuwait and was tested against the other tactical vehicles. But this occurred only after the continual assistance from the Project Management Office.

b. LOA Phase

In both FMS cases, drafting of the LOA occurred only after information was provided from the Project Management Office. Compilation of the LOA data and subsequent signing of the contract (Thailand) required extensive PMO involvement. For example, the actual LOA pricing estimates were negotiated between the Acquisition Center of the Tank - Automotive Command and the contractor, but with significant input from the Project Management

Office. Additionally, recommendations for sustainment items and services necessary to support the customer country were also provided by the Project Management Office.

Although the security assistance community technically has the leadership for recommending major elements constituting the FMS agreement, in actuality, during the LOA phase of the FMS case the PMO provided vital information. For example, during the negotiations between the U.S. Government and Thailand, the actual production plan quantities were provided by the Project Management Office. Thus, the FMS agreement that resulted as a cost-reimbursement contract between Thailand and the U.S. Government was directly influenced by the PMO's production and fielding plan. In fact, the negotiation could not have occurred without the PMO's input from these respective plans.

Likewise, in the drafting of the unofficial LOA for Kuwait, the same information was provided by the PMO, and was used to formulate the potential FMS agreement for Kuwait.

2. Differences

a. Pre-LOA Phase

During the Pre-LOA phase of both FMS cases, differences in the effectiveness of information exchange was affected primarily by the actions of the Project Management Office.

Analysis of the Thailand case revealed that the initial openness and trust of the dialog between the trading countries was fostered by the Project Management Office.

For example, realizing that it was critical to maintain a good working relationship with the Thailand Government, the PMO sent a letter to the Commander, Supply and Transportation Command, Thailand. This letter reiterated the U.S. commitment to the production, fielding, and testing of the FMTVs, and ensured a better negotiation atmosphere.

Unlike Thailand, however, the Kuwaiti officials were not as responsive to the negotiations with the United States. During the initial negotiations, the PMO was not directly involved. Consequently, the PMO was unable to foster a continued open rapport with Kuwaiti officials, unlike the situation with Thailand.

Another difference in the PMO actions of both FMS cases occurred during the security assistance review. In the Thailand case, the PMO was influential in exchanging important facts and information relevant to the FMS of the vehicles. During the latter end of this security assistance review, the Thailand officials wanted a complete briefing on the capabilities and characteristics of the vehicles and requested opinions from the Project Management Office. A video depicting the ability of the FMTV to traverse difficult terrain and secondary roads and a question and answer period hosted by the PMO, concluded the conference. Thus, the PMOs knowledge and influence during the security assistance conference were of significant importance.

Regarding the Kuwaiti case, a vital opportunity to exchange important information from the PMO was lost, because a security assistance review did not occur.

b. LOA Implementation Phase

During the Implementation phase, the PMOs knowledge of the acquisition strategy was paramount to fulfilling the FMS agreement. In the Thailand case, for example, since Thailand decided to purchase some of the new trucks slated for the U.S., the PMO provided the production and fielding plan necessary to implement the FMS agreement. Additionally, the PMO's knowledge of the vehicle and its capabilities were vital in proposing the appropriate training needed to operate the vehicles, type and quantity of spare parts, support equipment, quality assurance team support and equipment publications. Consequently, the PMO was instrumental in deciding how the U.S. Government would fulfill the negotiated FMS agreement.

In the Kuwaiti case the security assistance community was primarily involved with the unofficial implementation plan. However, they did not have the knowledge to make adequate recommendations in critical areas such as support requirements.

C. FUNCTIONAL ANALYSIS: SECURITY ASSISTANCE AGENCIES INVOLVED IN THE FMS VEHICLE PROCESS

In both FMS cases, several security assistance agencies contributed to the preparation and implementation of the FMS cases. These agencies included: the Defense Security Assistance Agency (DSAA), the Department of the Army, Deputy Chief of Staff, Logistics (DA DCSLOG), U.S. Army Security Assistance Command (USASAC), and the Tank - Automotive

Command Security Assistance Center (TSAC). This section will present an analysis of the primary functions actually performed by these activities to assist in answering the subsidiary question: "What Security assistance agencies were primarily involved with the vehicle FMS process, and what activities of these agencies were actually performed by the PMO?"

1. Defense Security Assistance Agency

Analysis of the actual actions performed by the Defense Security Assistance Agency (DSAA) revealed that their primary function is that of an approval authority for LOAs in the FMS process. For example, functionally, the DSAA was the official Government-to-Government interface between the U.S. Government and both customer countries and was the official advocate for the Army security assistance programs worldwide. As such, both countries submitted their LORs, through the DSAA for approval and official implementation. Additionally, the DSAA was responsible for determining if the U.S. Government would respond positively or negatively to the LORs submitted by Thailand and Kuwait. Included in this decision was the initiation of the security assistance reviews that are performed for each foreign country seeking to purchase the new vehicles. These reviews were merely the visible peak of the iceberg among the myriad bureaucratic activities (congressional reviews, approvals, defense item list reviews, etc.) necessary to finally result in an FMS approval for procurement.

However, analysis revealed that the PMO was the agency that was instrumental in leading and facilitating actions in

the Pre-LOA phase. For example, it was the PMO who assisted and made recommendations for vehicle requirements determination for both customer countries. It was the PMO who sent letters and participated in truck demonstrations for both countries. In fact, the PMO led during the entire FMS process!

2. Department Of The Army, Deputy Chief Of Staff, Logistics

Although the Department of the Army, Deputy Chief of Staff, Logistics, is technically responsible for the complete LOA phase of the FMS process, analysis revealed that some of their responsibilities were actually performed by the Project Management Office. For example, the Department of the Army, Deputy Chief of Staff, Logistics is primarily responsible for performing a centralized control function of the LOA Development phase, specifically providing oversight during LOA negotiations. However, during the actual negotiations between both countries, the PMO was a key member of the negotiation team, providing critical information pertaining to the fulfillment of the FMS agreement.

3. U.S. Army Security Assistance Command

The U.S. Army Security Assistance Command (USASAC) functions as the Army's operational control for security assistance programs. It is responsible for implementing and controlling the FMS program, once obtaining LOR approval from the DSAA and obtaining approval for the LOA from the Office of the Department of the Army, Deputy Chief of Staff, Logistics. However, the analysis with respect to the FMS

cases revealed that the majority of the actions of this agency were actually performed by the Project Management Office, as depicted in Table 1.

4. Tank - Automotive Command Security Assistance Center

The execution of all tactical wheeled vehicle LOAs is one of the primary functional responsibilities of the Tank - Automotive Command Security Assistance Center, however, the PMO actually performs many of these functions without resources. Currently, the Tank - Automotive Command Security Assistance Center is funded to provide all staffing and other support for all FMS activities throughout the entire FMS process. However, new production FMS cases such as the FMTVs, require the direct involvement of the Project Management Office. New production vehicle systems are solely managed by the PMO, not the Tank - Automotive Command Security Assistance Center. Therefore, the leadership of the PMO is necessary to fulfill the contract requirements of the FMS agreement. But, in the existing process, the PMO is not funded to perform necessary activities vital to consummating the FMS transaction. For example, examination of the Thailand case reveals that the PMO performed crucial activities throughout the entire FMS process (see Table 1). Yet, the PMO was not funded to provide these activities. Consequently, resources were obtained from within the budget of the Project Management Office.

FMS PROCESS, PRIMARY ACTIVITIES	RESPONSIBLE AGENCY	AGENCY WHO ACTUALLY PERFORMED ACTION
1. Pre-LOA Phase	DSAA	PM
Pre-LOA Discussions	DSAA	PM
Requirements Determination	DSAA	PM
LOR Submitted	DSAA	DSAA
Security Asst Review	DSAA	DSAA
Review of Congressional Data	DSAA	DSAA
Decision to Act on LOR	DA DCSLOG	DA DCSLOG
2. LOA Development Phase	TSAC	PM
LOA Negotiations	TSAC	TSAC/PM
Assigned Country Manager	TSAC	TSAC
Case Identifier Assigned	TSAC	TSAC
Request Vehicle Pricing Quotes	TSAC	PM
Request for Price Adjustments	TSAC	PM
LOA Item Identification:	TSAC	PM
Delivery of Vehicles	TSAC	PM
Paint Color	TSAC	PM
Concurrent Spare Parts	TSAC	TSAC/PM
Support Maintenance	TSAC	PM
Publications	TSAC	PM
Training Items	TSAC	PM
Quality Assurance Teams	TSAC	PM
Pricing for all Items	TSAC	PM
Transmittal of LOA	DSAA	DSAA
DA Approval for LOA	DA DCSLOG	DA DCSLOG
DoD Approval for LOA	DSAA	DSAA
3. LOA Implementation Phase	TSAC	PM
Payment Schedule	USASAC	USASAC
Delivery Schedule	TSAC	PM
Initial Deposit	TSAC	PM
Cost Summary	TSAC	TSAC/PM
Requisitions for Parts; Support Support Items; Maintenance	TSAC	PM
Request to Obligate Money to Buy Vehicles.	DSAA/TSAC	DSAA/TSAC
Modification of Contract	TSAC	PM
Customer Signature on FMS Case	USASAC/TSAC	USASAC/TSAC
4. LOA Execution	TSAC	PM
Funds Requisitioned	TACOM Matrix	PM/TACOM Matrix
Production Performed	PM	PM
Delivery of Vehicles	TSAC	PM Will Perform
Quality Assurance Inspections	TSAC	PM Will Perform

Table 1. Actual PMO Actions During the New Vehicle FMS Process

D. FUNCTIONAL MANAGEMENT ROLE ANALYSIS: PROJECT MANAGER

This section presents an analysis of the functional management role of the PM as exemplified in the two FMS cases throughout the various LOA phases. The functional role of the PM will be analyzed with respect to the actions performed by military members within the Project Management Office. Analyzing this section seeks to assist in answering the primary thesis question of "What should be the functional management role of the PM in the FMS process for new tactical wheeled vehicles?"

1. Functional Management Role Theory

The functional management role of the PM is significant with respect to FMS cases involving the production of new equipment. The Packard Commission studied the issue of defense acquisition management to devise a more efficient and effective acquisition process. One of the recommendations of the Commission was the creation of a single position responsible for acquisition. Based on this recommendation, the position and function of the PEO was created in 1986 [Ref. 30: p. 11]. As a result of this newly-created position, DoD charged PEOs and PMs with the responsibility of managing their individual programs throughout their life cycles. In essence, the primary function of the PM is to field a cost-effective solution to the approved mission need. But, how does the PM perform this primary management function?

To answer this question, the terminology of 'function,' 'role' and 'manager' must be clearly understood. When applied to management, the term 'function' means the

activities which managers undertake as managers. The term 'role' may be thought of as a collection of patterns of behavior. A 'functional role' then, may be thought of as a normative concept - a generalization of what collective actions are undertaken or done, rather than a specific action in a specific situation. A 'manager' is the individual who manages; a participant involved in the process of running an enterprise. Thus, the 'functional management role of the manager,' is a generalization about the activities performed by an individual, which may affect the quality of a synchronized effort, and for which the individual is responsible. [Ref. 26:p. 11]

In concert with this management view of the PM, it is the civilian sector's (civilian Project Management Institute) charge that the PM is responsible for coordinating and integrating program activities across all organizational lines, while performing various functional roles. These functional management roles, as postulated by Harold Kerzner, primarily involve actions resulting in management interface, or liaison activities. He states that the PM is responsible for managing all human relationships within the organization and for coping with all public and client relationships [Ref. 26:p. 11]. Similarly, another theorist - Henry Mintzberg - stated that the manager's job was described by functional roles. These roles are: figurehead, leader, liaison, monitor, disseminator, spokesperson, entrepreneur, disturbance handler, and resource allocator. Mintzberg concluded that all managers fluctuate between these functional roles during the course

of their management tenure [Ref. 27:p. 52]. Thus, using the definition of 'functional management role,' in addition to selected roles from Mintzberg's list, an analysis of both FMS cases is presented below.

2. Liaison Or Facilitator Role

In both FMS cases, beginning with the initial pre-procurement negotiations and vehicle demonstration activities that preceded the determination of the recipient governments requirements, the PMO assumed a liaison or facilitators role. Although the 1993 International Defense Exhibition in Abu Dhabi was not an officially sponsored DoD event, the PMO took a leadership stance. The PMO attended to support U.S. firms that interacted with the PMO, and to learn what other countries were offering in the tactical vehicle world market. Because this event was not an official DoD sponsored event, the U.S. lacked the official representation to facilitate Government-to-Government discussions. Many foreign dignitaries however, did not want to speak to S&S, the contractor, but rather began conferring with the representative from the Project Management Office. Because the PMO representative was military, he was therefore essential in promoting the equipment and facilitating the information exchange to the foreign dignitaries. As a liaison for the U.S. Government, the PMO was therefore credible, since this office knew the capabilities of the equipment, and could relate strategic real-world advantages of owning the vehicles. These foreign dignitaries had an inherent distrust of contractors, as they were regarded as salesmen, and thus unlikely to be

objective. Indeed, many foreign countries had the perception that the contractor's primary goal was to sell their product, and were not interested in determining what equipment was best for the customer. For this reason, the PMO, as the Government-to-Government representative, added credibility to the sale of the vehicle systems.

Likewise, as a liaison in the Kuwait FMS case, the PMO was crucial in establishing credibility with Kuwaiti Government officials. The senior military leadership was unreceptive to contractor comments, but focused on information presented only by the PMO. After the truck trials, the PMO was able to gain an audience with senior military leaders to discuss detailed aspects of the vehicle, due to his position as a U.S. Government military member. Personalizing his own experience of truck performance in Operation Desert Storm, the PMO was able to make an effective presentation of the FMTV capabilities. Consequently, analysis of both FMS cases revealed that the liaison and facilitation role displayed by the PMO was critical in establishing credibility with the customer country representatives.

3. Disseminator Of Information

Following the demonstrations in both cases, the PMO became more of a disseminator of information. Since the PMO was responsible for the vehicle systems acquisition project management, the LORs from both countries requesting price & availability data was submitted to the Project Management Office [Ref. 25]. As the project acquisition manager, the PM intimately knew all aspects of the program including the

production and development schedule. The PMO also consistently interacted with the contractor, disseminating pertinent program information between the contractor and the Tank - Automotive Command Security assistance Center. One such example occurred when the PMO provided the Tank - Automotive Command Security assistance Center with the pertinent data required for immediate feedback to the customer's Letter of Request [Ref. 19]. Thus, analysis revealed that the PM's role of disseminator of information was crucial in facilitating a smooth dialog of information sharing among the customer, contractor and the security assistance community.

4. Leadership Role

In both cases, during the negotiations between the U.S. Government and senior foreign officials, the PMO assumed a leadership role. Since the security assistance community (Defense Security Assistance Agency, U.S. Army Security Assistance Command, Tank - Automotive Command Security Assistance Center) activities were reactive as opposed to proactive, the PMO played an aggressive leadership role in pursuing both countries interest in the acquiring of the Family of Medium of Tactical Vehicles. For example, official letters were sent from the PMO emphasizing the U.S. commitment to the production of FMTVs and offering assistance in providing information on the vehicles.

In the Thailand case, the PMO performed a leadership role throughout the process, although it was initially curtailed by the security assistance community. The leadership actions of the PMO were effective in assisting

the scheduling and conduct of the Thailand security assistance review and facilitating the FMS negotiations. Although the PMO was taking this leadership role, a problem arose within the security assistance community. Technically, the security assistance community was responsible for taking the lead in communication with the foreign Government and in negotiating with the customer. However, they had been reactive up to this juncture and they did not want the PMO present during the initial phases of the conference. Consequently, the actions taken by the security assistance community initially curtailed effective negotiations.

These curtailing actions had a negative impact on communication with the Thailand officials, because their cultural traditions dictated social considerations before business transactions. Because the PMO was not present for the initial conference introductions and socializing events, the Thailand officials were not comfortable speaking with the Project Management Office. In countries such as Thailand, these socializing events are extremely important, as a prelude to further negotiations. Consequently, communication between the PMO and Thailand was hampered, due to this perceived slight in courtesy and custom. Additionally, the PMO was unfamiliar with both the U.S. and the Thailand Government officials involved in the negotiation process. Thus, the PMO was at a complete disadvantage.

Additionally, during the implementation and execution of the LOA for the Thailand case, the PM actually determined

how the case requirement was to be accomplished. For example, the PM decided to alter the original production plan, whereby Thailand would receive vehicles slated for the United States. Subsequently, the PM had to obtain permission from the Department of the Army, Deputy Chief of Staff for Operations, to authorize this change. Additionally, the PM took the lead in initiating and ensuring that a contract modification recouped the quantity of vehicles for the United States. Thus, analysis revealed that in both FMS cases, the PM continually maintained a leadership role throughout the FMS process that was essential for effective FMS case management.

5. Disturbance Handler

Analysis also revealed that the PMO performed the role of disturbance handler. As a disturbance handler, the PMO played a significant role in assisting with the shipment of FMTVs to Kuwait for country demonstrations. In compliance with a request by Kuwait for truck demonstrations, S&S attempted to ship vehicles to Kuwait. During the process of gaining permission from the applicable U.S. Government agencies, the PMO was contacted for assistance with these agencies in obtaining clearance for the vehicles. After numerous discussions among three different agencies, the PMO resolved the problem for the contractor. This incident revealed the significance of the PM in acting as a disturbance handler in the FMS process. The PM's ability to resolve issues was paramount to fulfilling the customer's request, thereby ensuring that FMS activities continued.

E. ETHICAL CONSIDERATIONS: FMS AND THE PM

The presentation and analysis of both FMS cases revealed that the influence and involvement of the PMO was interspersed and extremely important throughout all phases of the FMS process. But, were the actions of the PMO within ethical parameters? This section presents an analysis which addresses the subsidiary question: "What are the ethical considerations inherent in FMS cases, that the PM must regard."

1. Background

Chapter II and III of this thesis presented the relevant laws, regulations, directives, and policies that pertain to the implementation of FMS cases. Of these, the most pertinent that directly affect the ethical actions of the PMO during the conduct of FMS transactions are addressed below. Analysis of these primary ethical guidelines revealed, however, that many of the policies contradict each other.

a. U.S. Law: Foreign Assistance Act, Section 515

This law is the basis for all actions by the PMO during FMS transactions. It states that the President is to instruct all personnel that they should not encourage, promote or influence the purchase of U.S. made military equipment, unless specifically instructed by the appropriate agencies of the U.S. Government. [Ref. 29:p. 515]

b. DoD Policy: DoD Manual 5105.38-M

This DoD policy manual is the basis for all military Service policies concerning the marketing of defense equipment. It states that sales will be approved

only when they are consistent with U.S. foreign policy interests. Additionally, marketing is to left to U.S. defense industries, unless it is specifically approved in advance by the Defense Security Assistance Agency. [Ref. 36: p. 600-1]

**c. Department Of The Army Memorandum, Subject:
Marketing Of U.S. Defense Equipment**

Although DoD manual 5105.38-M prohibits marketing, this Department of the Army memorandum encourages the support of marketing efforts! Conversely, it also stipulates remaining neutral between U.S. competitors! The major elements of this memorandum are as follows: [Ref. 11:p.1]

- Support marketing efforts of U.S. companies.
- Provide country information.
- Assist with visit appointments.
- Remain neutral between U.S. competitors.

**d. Army Acquisition Executive Policy Memorandum
#90-7, Subject: Security Assistance**

Although the Department of the Army Memorandum, Subject: Marketing of U.S. Defense Equipment, encourages the support of marketing efforts, Army Acquisition Executive Policy memorandum #90-7 contradicts this by stating that marketing should be left to contractors, although the PMO should facilitate sales when possible! [Ref. 10:p. 1]. The pertinent elements of this memorandum are as follows:

- Marketing should be left to contractors, but the PMO should facilitate sales when possible.
- PMs should participate in the development and execution of security assistance agreements.
- When it will enhance national security interests, provide the materials to demonstrate the system to assist in either the coproduction or sale of the item.

e. U.S. Army Security Assistance Command

Memorandum, Subject: Security Assistance Support For FMS Cases Involving Tactical Wheeled Vehicles

Although Army Acquisition Executive Policy #90-7 states that the PM should facilitate sales when possible, this memorandum specifies that the PM should have limited authority! The pertinent elements of this memorandum are as follows: [Ref. 14:p. 1]

- PMs should be integrated with Security assistance, due to their technical knowledge of their systems, but with parameters limiting their authority.
- Security assistance representatives should be included in all discussions with foreign representatives, and Security assistance agencies will determine if the PMO needs to be present.
- The U.S. Army Security Assistance Command should be the provider of all information to the customer country, and the responder to all requests (including technical questions).

2. Ethical Considerations

Analysis reveals that there are two primary ethical considerations that should be addressed regarding the PM's actions during FMS transactions. These are: marketing of U.S. defense equipment, and a conflict of interest concerning the relationship between the PM and the contractor.

a. Marketing Of U.S. Defense Equipment

Actions by the PMO in support of FMS transactions, could be misconstrued as marketing, however current policy guidance on PMO actions regarding this issue is unclear. Analysis of the Thailand case revealed, for example, that the PMO's briefing and video on the capabilities and characteristics of the FMTVs to the Thailand officials were instrumental in FMS negotiations for the sale of the vehicles. But, was this action considered unethical and construed as marketing for a U.S. firm? Analysis with respect to the current policies reveals that the answer to this question is equivocal.

Current policies divulge the ambiguous and contradictory nature of guidance given to the Project Managers. Both DoD and Army policies currently encourage the PM to support security assistance programs when possible, and also encourage foreign country team support to U.S. defense industries engaged in marketing. In fact, Army Acquisition Executive Policy #90-7 states that the PM should facilitate sales when appropriate. But, how and when does the PM facilitate sales? The guidance is ambiguous, to say the least! Indeed, the guidance is also contradictory! For

example, DoD manual 5105.38-M states that marketing should be left to the U.S. defense industry, and that Security assistance Organizations should remain neutral between U.S. competitors. Thus, the current guidance is not only vague, but also paradoxical.

So, ethically, when is marketing appropriate? Some would say that it depends on whether coproduction or codevelopment practices are anticipated. Others say that it is dependent on whether there is a real need in the country, and that the sale will benefit U.S. national interest. Regardless of which response is given, however, under the strict letter of the law and current policy, the answer is a matter of interpretation and circumstance!

On the other hand, if analysis is conducted with respect to the *intent* of the law, the answer is more readily apparent: marketing should not be the goal for the PM, but he should have the flexibility to promote his equipment if the situation requires this action. For example, as purchases by foreign allies become more evident to other countries, the increased attention in a defense item may involve the PM through foreign country initiated inquiries. If a foreign Government is seeking information on the vehicle, the PM then has a vested stake in the proper promotion of the equipment. That is, the PM would be concerned that the vehicle system be fielded properly, fully supported within the country, and fielded in the most efficient manner possible. Additionally, he would be concerned about technical details such as: vehicle characteristics and capabilities with respect to the

mission, as well as, system production schedules, and testing data. Thus, in this type of situation, the PM should have the flexibility to promote the equipment. Ethically, then, marketing is appropriate when the circumstances require the PM to promote his equipment in response to customer inquiries. It is at this juncture that the PM is within the parameters of both the letter and intent of the current law by "facilitating sales when appropriate."

b. Conflict Of Interest

The PM's relationship with the contractor could be interpreted as a conflict of interest. Analysis revealed that there is continual interaction between the PMO and the contractor, when managing new production defense equipment. In fact, while responding to country inquiries, the PMO's actions could be misconstrued as benefiting the contractor by presenting visual materials and briefings necessary to address issues in response to customer inquiries. But, are these actions indicative of a conflict of interest for the Project Manager?

Analysis of the Thailand and Kuwait FMS cases revealed that these actions did not result in a conflict of interest, but rather emphasized the unique relationship between the PM and the contractor. The contract between the U.S. Government and S&S is sole-source, Firm-Fixed-Price with Economic Price Adjustment, and the FMTV is already known worldwide as the U.S. choice for the tactical vehicle of the 21st Century. Additionally, it is also known that this vehicle can out-perform any vehicle that participated

in Operation Desert Storm. Consequently, as worldwide interest in the vehicle increases, through contractor demonstrations of the vehicle, the PM is involved more frequently with prospective buyers who have not yet decided between FMS or direct commercial sales. Although it could be argued that the FMS Total Package Approach (the U.S. Government sells the vehicle along with a complete support and sustainment package) is an optimum purchasing method, ethically, the PM must be objective enough to submit complete information to the potential customer. This action may then lead the customer to the contractor, through direct commercial sales. This is indeed a choice for the PM, since it may be easy to persuade the customer to obtain equipment through FMS, yet it may be just as beneficial for the customer to procure the equipment through the other sales option. Thus, the PM must avoid becoming a "salesman" for his equipment, but merely facilitate in the transfer of information, whereby the customer can make an objective decision regarding procurement.

Likewise, the PM must also avoid becoming a puppet for commercial/industrial interests. During activities such as the international defense exhibitions, the PM and his representatives must maintain their posture as military representatives of the U.S. Government. Since the PM is a member of the U.S. military, his actions will reflect on the U.S. Government. Therefore, it is imperative that the actions of military members such as the PM, be unrepachable and not likened unto a 'car salesman.' Actions promoting the sales of equipment could place a

negative stigma on the U.S. Government, and may lead to comments by other nations of 'arms broker.' However, when a foreign Government expresses an interest with an intent to purchase a particular defense item, the PM should respond and promote the equipment. Consequently, although the sales of military equipment are of considerable importance to the PM, the PM's relationship with regard to the contractor and as a military member of the U.S. Government must be ethically correct, and in accordance with the appropriate requests from the customer country.

With respect to conflicts of interest, other ethical considerations concern daily activities. The PMO must always perform their duties while maintaining the posture and demeanor of professional military officers. Similar to the PMO conduct in the FMS case with Kuwait, the PMO must not succumb to petty in-house rivalries and disagreements between Government offices, but rather strive to facilitate resolutions agreeable to all parties concerned. Ethically, the PMO must regard all agencies regulations and seek to find resolutions between the Government and contractors without circumventing the established policies. It is important to note however, that the PMO can realistically expect to foster an atmosphere of trust and mutual respect with the contractor. Indeed, analysis of both FMS cases revealed that the close working relationship that currently exists between the PMO and the contractor lends itself to a smoother dialog of information sharing and cooperation. This relationship is not unethical, so long as the PMO maintains a professional demeanor, stays

within policy parameters, and remembers that they ultimately represent the U.S. Government.

F. INDUSTRIAL BASE ANALYSIS

Security assistance programs, such as FMS, have an enormous impact on the U.S. industrial base. This section presents an industrial base analysis which answers the subsidiary question: "What is the impact of FMS on the industrial base?"

1. General

a. *Sustainment Of The Manufacturing/Industrial Base*

While political and socioeconomic forces have been eroding the U.S. industrial base, analysis indicates that security assistance programs, such as FMS, have encouraged the continued sustainment of the manufacturing/industrial base through international sales of new defense items. Since the ending of the Cold War, and subsequent downsizing of the U.S. military, the industrial base of the U.S. has continued to also draw-down, due to shrinking DoD revenues. As DoD reduces spending for military equipment and services, companies in the U.S. defense industrial base are seeking to replace these lost domestic revenues with those obtained through Foreign Military Sales.

Analysis of this issue reveals that one reason that FMS has encouraged sustainment of the manufacturing/industrial base lies in the generation of American jobs. For example, between FY 91-93, the U.S. exported approximately 18 billion dollars (delivered) of

military items annually [Ref. 34: p. 1]. For every one billion dollars spent, one estimate states that approximately 31,000 American jobs were generated [Ref. 2: p. 25]. Although the permanence of these jobs depends in part on whether U.S. manufacturers can continue to obtain new orders for military equipment exports, the data suggest that FMS encourages the employment outlook for Americans.

Another reason FMS encourages sustainment of the industrial base regards the benefit from increased production rates - profit. As security assistance programs, such as FMS, facilitate the sale of weapon systems, Army programs benefit through increased production rates, and corresponding lower unit costs. These increased production rates generate profit for U.S. industry, leading to economic growth, which in turn encourages the continued commitment to manufacturing defense items. Thus, it is to the advantage of both industry and Government to encourage Foreign Military Sales.

Although FMS can encourage sustainment of the industrial base, one inherent problem exists: worldwide arms competition. In the current world market, other countries are providing more competition, as the U.S. industrial base dwindles. In the wake of the downsizing of the U.S. defense industry, European and Asian countries are developing internationalism strategies to sustain their military base. For example, a study of the situation of the European Arms industry in 1992, concluded that "the development of national champions (monopoly suppliers in individual European countries) and proliferating

transnational ties, were the two dominant trends in the European defense industry in the 1980s." [Ref. 1:p. 3] If these trends are realistic, the consequences for the U.S. and its industrial base are enormous. For the first time, the U.S. could see the emergence of a combined European arms industry that could not only rival the U.S., but also surpass our manufacturing capability. The reality of this is evident by the ever increasing European conglomerates of previously independent companies, that are now becoming more interconnected at the design, development, production, technical information exchange, and capital investment levels. Thus, the continual worldwide marketing of U.S. weapon systems is important for the survival of our industrial base. But, if the U.S. does not continue to market superior weapon systems, or seek alliances with allied nations, export sales will suffer, resulting in a negative impact on the U.S. industrial base.

b. Codevelopment And Coproduction

Another major impact of FMS on the industrial base is the promotion of codevelopment and coproduction projects. Implementation of foreign manufacture programs by the U.S. Government can occur under FMS cases, which provide the recipient country with the necessary technical data to manufacture, or operate and maintain the defense item. Codevelopment and coproduction projects are thus options of FMS negotiations for recipient countries. *Codevelopment* occurs when the U.S. Government signs a Memorandum of Understanding with allies to jointly develop new systems, and share costs and data. *Coproduction* occurs when the U.S.

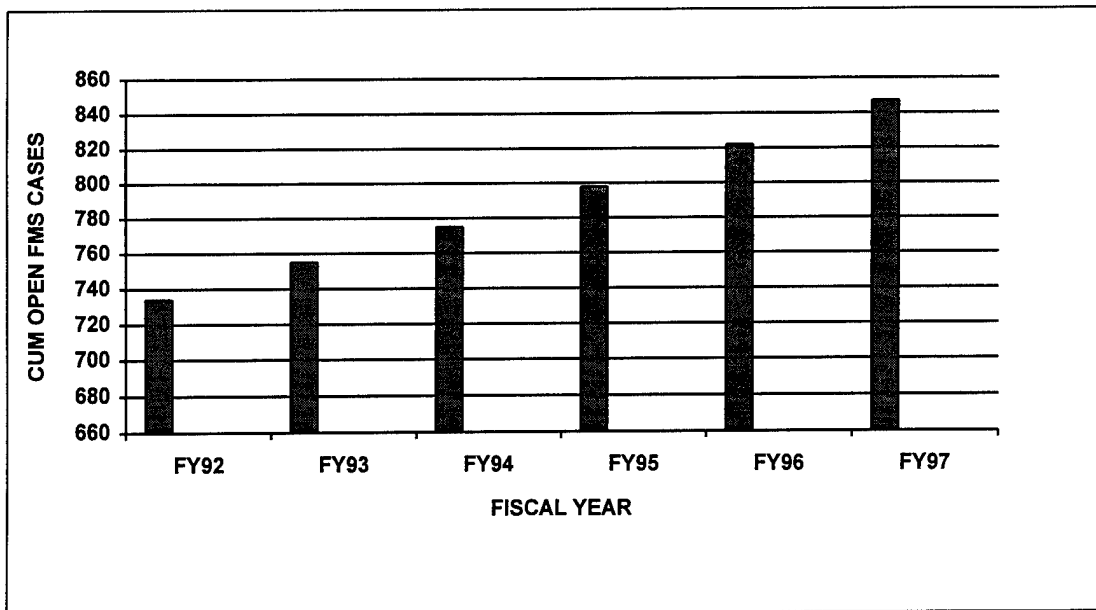
Government signs a Memorandum of Understanding with allies to let DoD systems be produced outside the continental United States. In each of these cases, both industry and Government can benefit from the elimination of barriers to trade and investment. Cooperative trade and investment ventures can result in the promotion of a healthier economy and stronger industrial base.

2. Impact Of Tactical Wheeled Vehicles FMS

Currently, the U.S. leads the world market in truck technology and capability, which has resulted in an increase in FMS of tactical wheeled vehicle systems. [Ref. 17] The Tank - Automotive Command Security assistance Center active and projected FMS case loads (depicted at Figure 6) highlights the increase in FMS tactical wheeled vehicle cases. The impact of the increase in these truck FMS sales is discussed below.

a. Revenue For Future Defense Projects

One of the major impacts of truck FMS transactions is the potential increase in revenue for future defense projects. In consonance with the draw-down of U.S. forces in Europe, perceived changes in national requirements, and because of the arms control commitments under the 1990 Conventional Forces in Europe Treaty, large quantities of trucks have become surplus to the U.S. vehicle inventory. These vehicles have been declared Excess Defense Articles and have been made available for Foreign Military Sales. Because U.S. forces are still decreasing in Germany, the



YEAR	FY92	FY93	FY94	FY95	FY96	FY97
BASE	730	734	755	775	798	822
NEW FMS CASES	74	87	105	108	112	117
CLOSED FMS CASES	70	66	85	85	88	92
CUM OPEN FMS CASES	734	755	775	798	822	847

Source: Tank - Automotive Command Security Assistance Center (TSAC) Business Plan Annex.

Figure 6. TSAC Active and Projected FMS Case Loads

European Disposal Office of the U.S. DoD currently anticipates receiving 137,500 tons of major end items, and 7,500 tons of spare parts by the end of 1995 [Ref. 31:p. 40]. Foreign Military Sales of these vehicles are used to finance future defense projects. Thus, the FMS of excess vehicles will eliminate unnecessary stockage and also return money to industry for the building of more defense projects, which in turn will promote the industrial base.

b. Promotes The Stabilizing Of The Industrial Base Workforce

One of the major impacts of vehicle FMS on the industrial base concerns the stabilizing of the current industrial base workforce. As more sales are generated through new production and vehicle modernization FMS cases, industry is bolstered, which in turn assists in the stabilizing of their workforce. The Tank - Automotive Command Security Assistance Center total workload as of September 1993, included 724 active cases from 72 different countries and international organizations, totaling 7.4 billion dollars (delivered and undelivered orders) [Ref. 24]. Of these totals, truck sales totaled over 1.2 billion dollars consisting of both new production vehicles and modernization FMS cases. These cases included sustainment type logistical support packages, which were key selling features with many foreign Governments. With respect to new production vehicle FMS for example, the Kuwaitis decided to buy the FMTVs after the U.S. Government sold the vehicles using a total package approach. This approach included a sustainment logistics package, which made the vehicles a

more attractive purchase for the Kuwaitis. These sustainment packages directly equated to more business for industry, as the Government sought to supply the foreign customer with these vehicles and support packages. With respect to modernization cases, upgrades on various types of older generation vehicles have included procurement of both replacement parts and equipment training for the modernized equipment. In both instances, as new production and modernization FMS cases continue to be generated, industry workforce levels will stabilize to support these customer requirements.

Additionally, increased sales of new production vehicles leading to contract modifications and amendments, have also promoted production and encouraged stabilizing the workforce. For example, negotiations between Thailand and the U.S. Government resulted in a modification to the original contract that allowed for an increase in the quantity of vehicles purchased by the U.S. Government. Thailand's procurement of these vehicles began during Milestone III of the acquisition cycle, which still had an impact on maintaining the current workforce necessary to produce the contracted equipment. Additionally, because the FMTVs were Non-developmental Items (NDI), several modifications were necessary to fulfill the military performance requirements stipulated by the FMS case. Among these modifications, S&S had to redo fuel tanks and lubricating systems, and waterproof the vehicle [Ref. 18]. These vehicles also had a technical data package that would be used in future production contracts (possibly extending

through 2023) which also has encouraged the stabilizing of the current workforce.

Modernization and upgrade FMS cases for new vehicles that will become obsolete in the future, can also generate future sales, promoting the stabilizing of the workforce. For example, although the FMTVs are planned to continue for at least 30 years, foreign countries may modernize or upgrade them in lieu of disposal at a later time. Because the FMTVs have 5 ton vehicles that are the only source of air-dropable vehicles in the 5 ton class, worldwide; and since both the 2.5 and 5 ton vehicles have a 90% parts commonality among all variants of the family, countries may be encouraged to maintain these vehicles for an extended period of time. Assuming that other manufacturers do not produce a superior vehicle, the FMTVs will remain an attractive procurement. In any event, whether through increases in new production or increases in modernization FMS cases, industry is encouraged to stabilize the workforce as the quantity of exports increase.

G. SUMMARY

This chapter presented an analyses of the Thailand and Kuwait FMS cases from five different perspectives. The comparative analysis revealed that information obtained from the PMO was critical for successful FMS transactions. The functional analysis revealed that the PMO actually performed many FMS actions without FMS funds. The functional management role analysis revealed that the PM performed primarily leader and facilitator roles. The ethical

consideration analysis revealed that current policies are contradictory in stipulating PM conduct. Finally, the industrial base analysis revealed that FMS is important to promoting the industrial base.

V. CONCLUSION

A. GENERAL

As a consequence of the vastly changing global environment, and demonstration of truck superiority in the Gulf War, U.S. friends and allies have sought to modernize their vehicle fleets with the most current U.S. military vehicle systems. Two such countries, Thailand and Kuwait, proceeded to perform this modernization task by procuring new production vehicles, through the security assistance program of Foreign Military Sales. The new vehicle systems sought by both countries were the FMTVs, which were managed solely by the PM, due to their program acquisition status. Consequently, the PM became immediately involved with the FMS transactions. However, previous FMS transactions, were the responsibility of the security assistance community, not the Project Manager.

Prior to the insurgence of interest in new production equipment, the security assistance community provided the leadership throughout all phases of the FMS process. Since the Gulf War, however, the explosion of interest in procuring new equipment has increased the role and responsibilities of the PM in the FMS process. However, guidance delineating the actual functional management role of the PM, during the conduct of the FMS process for new production vehicles, is lacking. Additionally, PMs are not resourced to manage FMS transactions. Thus, analysis of the FMS cases for Thailand and Kuwait has demonstrated a need to determine the functional management role of the PM during

the conduct of the FMS process. Determination of the functional management role of the PM will result in an increased interest in future FMS, and improve the effectiveness of customer countries to procure tactical wheeled vehicles from the U.S. Government.

B. SPECIFIC FINDINGS AND CONCLUSIONS

1. Comparative Analysis: PMO Actions In LOA Phases

The comparative analysis examined similarities and differences of the PMOs actions in both FMS cases, with regard to the LOA phases. Similarities between both cases occurred during the Pre-LOA, and LOA phases; differences between both cases occurred during the Pre-LOA, LOA Implementation, and LOA Execution phases. With regard to this analysis, examination of the PMOs actions revealed the following: 1) vehicle demonstrations and subsequent information presented by the PMO were critical in assisting the customer country in their requirements determination; 2) the expertise, experience and credibility of the PMO as a military representative of the U.S. took precedence over any information submitted by the contractor; 3) compilation of this LOA data and subsequent signing of the FMS agreement (Thailand) required extensive PMO involvement; and, 4) the ability of the PMO to effectively communicate and create an atmosphere of trust between the U.S. Government and the customer country was vital to consummating an FMS transaction with Thailand.

2. Functional Analysis: Agencies Involved In The FMS Process

The analysis of security assistance functional agencies involved in the FMS process examined four primary organizations that contributed to the preparation and implementation of the FMS cases: Defense Security Assistance Agency, Department of the Army, Deputy Chief of Staff, Logistics, U.S. Army, the U.S. Army Security Assistance Command, and the Tank - Automotive Command Security Assistance Center. Analysis of these agencies revealed that the primary function of the security assistance community was an approval authority for LOAs in the FMS process. Additionally, the PMO performed actions that were the responsibility of the security assistance community. Yet, the PMO was not funded to provide these activities.

3. Functional Management Role Analysis: Project Manager

The functional management role analysis of the PM examined both FMS cases in terms of the functional roles for managers developed by Henry Mintzberg. During the pre-procurement negotiations and vehicle demonstrations that occurred in the Pre-LOA phase for both countries, the PMO performed both leadership and facilitator roles. Following these initial demonstrations, the PMO performed the roles of Disseminator of Information and Disturbance Handler. Overall, however, The primary functional management roles that permeated throughout the various LOA phases of both FMS cases were leader and facilitator.

These dual roles of leader and facilitator were successful throughout the entire FMS process. As such, these functional management roles were analogous to the interaction between the hub of a wheel (the PM), and its spokes (all agencies interacting with the PM): all FMS actions were directed and facilitated by the Project Manager (see Figure 7). Thus, the PM should perform the leadership role in FMS vehicle activities, while continuing to facilitate all FMS transactions.

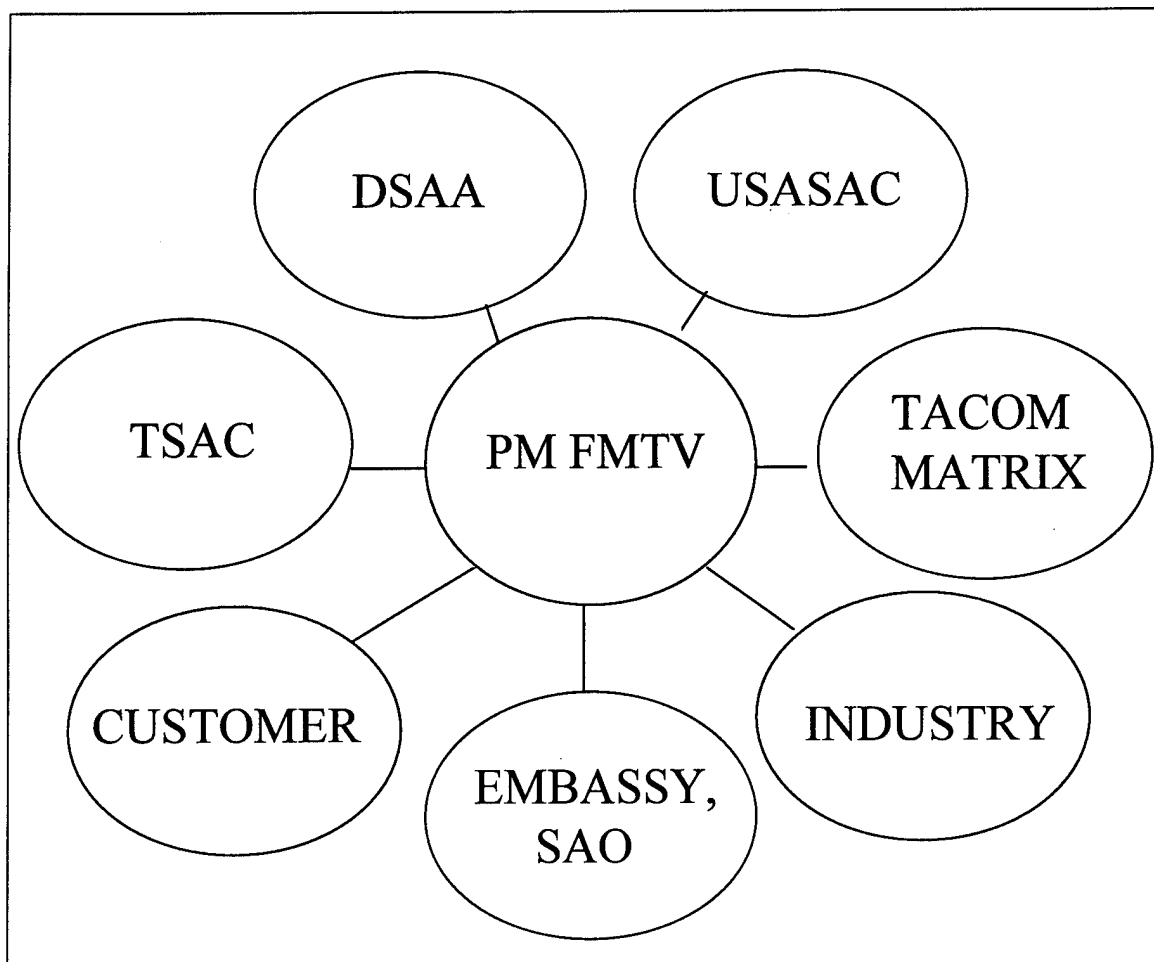


Figure 7. Activities Interacting With The PM During FMS

4. Ethical Considerations: FMS And The PM

Analysis of the ethical considerations revealed that there are two primary issues that the PM should consider during the conduct of FMS transactions: marketing of U.S. defense equipment, and a conflict of interest concerning the relationship between the PM and contractor. Currently, DoD guidance is ambiguous and contradictory in specifying the conduct of the PM's actions during FMS transactions and the marketing of defense equipment. Consequently, ethical actions with respect to marketing are a matter of interpretation and circumstance. Analysis of the FMS cases revealed that the PM has continual interaction with the contractor that is not unethical.

5. Industrial Base Analysis

The industrial base analysis revealed that FMS serves to integrate, broaden and maintain the national industrial base. Among other factors, it encourages commitment to manufacturing defense items, promotes codevelopment and coproduction, increases revenues for future defense projects, and promotes the stabilizing of the industrial base workforce.

C. LESSONS LEARNED

This section discusses the primary important lessons learned from the analyses of the Thailand and Kuwait FMS cases, and answers the subsidiary thesis question "What are the lessons learned from the Thailand and Kuwait FMS Cases?"

1. The PM Is The Leader And Facilitator Of The FMS Transaction

The PM is the actual leader and facilitator of new production, vehicle FMS transactions. The procurement of new production transportation systems requires the PM's direct involvement, as he is the sole manager of the project. As a leader and facilitator, the PM is the management interface between Government agencies to facilitate the FMS process through different activities, and is the central point of contact for customer country concerns.

2. The PM Is The Expert Who Lends Credibility To The Project

The PM is the expert on the capabilities of the weapon systems, who, as a U.S. Government military member, also lends credibility to the information presented concerning the system. Unlike the contractor, the PM is the who can answer most tactical and technical questions. Some contractors do not know the true tactical capabilities of the equipment, or how the system will perform in a combat scenario. They lack the real-world strategic knowledge of the equipment that the customer wants. Further, many foreign Governments do not trust contractor representatives, and therefore will not rely on their information. Thus, the PM provides both the knowledge of the vehicles characteristics and capabilities, as well as, the credibility as a military member of the U.S. Government to present the information.

3. The PM Is The Problem-Solver Among The Customer, Contractor And The U.S. Government

Examination of similarities in both FMS cases revealed that the PM was instrumental in continuing to problem-solve throughout the entire Pre-LOA phase of the FMS process. Due to the PM's knowledge of the situations involved with these problems, the PM had the ability to resolve all issues germane to the FMS transactions.

4. The PM Bridges The Gap Between The Security Assistance Community And The Customer

An analysis of the differences in the actions of the PMO with regard to both FMS cases, reveals that the PM bridges the gap between the security assistance community and the foreign customer, ensuring a smooth transfer of information and a successful FMS transaction.

5. The Security Assistance Community Has A Limited Involvement In The Current Vehicle FMS Process

Although the security assistance community consists of the process experts, their primary involvement is in the approval of LOAs, whose data are actually compiled by the Project Management Office.

6. The PMO Is Not Funded To Perform the Necessary FMS Activities

In the existing FMS system, the Tank - Automotive Command Security Assistance Center is funded to provide all support for FMS activities, but the PMO is not. Yet, it is the PMO who actually performs the majority of the FMS activities.

7. The Current Policies Do Not Reflect the Efforts Of The PMO During The FMS Case Implementation Process

There is an urgent need to revise the current policies to reflect the actual role and responsibilities of the PMO in the FMS process. Throughout the entire FMS process, the PMO performs the majority of the functions. Yet, current policies do not delineate the PMOs roles, responsibilities, or authority in FMS activities.

8. The PMO Is Proactive; The Security Assistance Community Is Reactive

Unlike the security assistance community, in both FMS cases, the PMO was quite active in providing information to Government officials and in providing truck demonstrations at the request of the customer countries. The security assistance community, however, did not become involved until after the customer country requested further information.

9. The Presence Of The PMO Is Critical

The Presence of the PMO is Critical in Facilitating Information Exchange and Minimizing the Adverse Affects of Cultural Differences. As revealed in the Thailand case, the PMO was not present for the initial conferences and socializing events. This curtailed the ability of the PMO to share his knowledge concerning vehicle capability, which ultimately hampered the negotiation process. Additionally, the lack of the PMOs presence during the initial social events associated with the security assistance review was perceived as a cultural slight.

10. Current Policies Are Ambiguous And Contradictory

Current policies at all agency levels are ambiguous and contradictory concerning PM guidance on the marketing of U.S. defense equipment. The Foreign Assistance Act is unclear regarding this issue, giving only broad guidance, and DoD policies contradict Army policies.

11. A Good Working Relationship Between The PMO, And The Contractor Is Key

A good working relationship between the PMO and the contractor is vital for successful implementation of FMS cases. Analysis of both FMS cases revealed that a good working relationship between the PMO and the contractor lends itself to a smooth dialog of information sharing and cooperation. This relationship, coupled with an atmosphere of trust and mutual respect, is paramount to successful implementation of FMS cases.

12. FMS Encourages Sustainment Of The Industrial Base

FMS encourages the continued commitment to sustainment of the manufacturing/industrial base needed for future mobilization. Through continued arms exports, American jobs are stabilized or created; Army programs benefit through increased production rates; and industry receives more profit. All of these benefits occur as a result of FMS transactions.

13. Worldwide Arms Competition May Hamper Future Sales Capabilities Of The U.S.

The adverse effects of worldwide arms competition should be taken into consideration with regard to future sales capabilities of weapon systems. Analysis confirms that

if revenue from export sales to foreign Governments is lost, the defense industry remaining in the U.S. may continue to decline.

14. The U.S. May Have To Establish Codevelopment And Coproduction Alliances

The current trend of European community alliances may require the U.S. to establish codevelopment and coproduction alliances to preserve the U.S. leadership position in weapon systems exports. The increasing development of European and Asian arms industry conglomerates could surpass future U.S. manufacturing capability. This competition could have tremendous negative effects on the U.S. industrial base, and may require the U.S. to seek manufacturing alliances to protect the U.S. leadership in future world arms exports.

15. The FMS Of Trucks Have A Positive Impact On The Industrial Base

The FMS of trucks benefits the industrial base by increasing revenue for future defense projects, as well as, stabilizing and creating jobs through modernization and upgrade FMS cases.

VI. RECOMMENDATIONS

A. GENERAL

As we look toward the 21st Century, we must keep our minds open to change, and reinvention. We need to make paradigm shifts to keep up with swiftly evolving political and economic realities. Indeed, the security assistance community is looking for new, innovative ways to meet requirements and resource challenges brought about by recent fiscal realities [Ref. 21]. Perhaps the way to accomplish this is by envisioning and developing imaginative policies and plans that heretofore, may not have been employed. But, given the changing environment, we must change; we must adapt; we must survive! Our approach must be futuristic to overcome the parochialism that previously made us narrow-minded. Thus, in light of recent global changes, we need to change. We need to revise policies, and rethink our strategies. Perhaps some of these changes should also include shifting more to private business strategies. Indeed, we can do smarter things by using sound business practices to make defense more cost effective, while maintaining our technological advantage.

One such sound business practice should include the sanction by Department of the Army to allow the PM to maintain a 'cradle to grave' management of his project, including peripheral activities such as Foreign Military Sales. Previously, the PM has not had the authority to lead in new production FMS cases; however, the past should not necessarily be the prologue for the future. Just as the Army

has chosen the FMTV to be the truck to take our soldiers to victory, so too, the Army should choose the PM to be the leader to take our allies through Foreign Military Sales. The PM is the project advocate and 'product' expert; let him blaze the trail for international sales!

B. SPECIFIC RECOMMENDATIONS

Based on the analysis of the Thailand and Kuwait FMS cases presented in Chapter IV of this thesis, as well as, conclusions in Chapter V, the following recommendations are provided. These recommendations seek to promote increased interest and effective implementation for future international sales of new production weapons systems, including tactical wheeled vehicles.

1. The Current FMS Policies Should Be Revised To Reflect The PM's Lead In All New Production FMS Cases

All applicable FMS policies should be revised to reflect the leadership of the PM in all LOA phases, specifically allowing the PM to continue promoting equipment in response to customer inquiries. These policies should establish clear parameters and guidance, addressing both the FMS of new production items, and pertinent ethical issues relevant to the sale of defense items to foreign Governments. Because new production vehicle systems are managed solely by the PM, the leadership of the PM is necessary to fulfill the contract requirements of the FMS agreement. Additionally, the Tank - Automotive Command Security Assistance Center policies should be revised to

reflect that they should perform only the administrative and legal activities for FMS agreements.

2. FMS Funding Should Be Provided To The PMO

Due to the increasing amount of FMS cases and quantity of FMS functions performed by the PMO, funding for FMS activities should be allocated to the Project Management Office. Adequate resourcing provides the PMO with the ability to effectively perform those activities necessary (such as truck demonstrations) to ensure a successful consummation of an FMS agreement.

3. The PM Should Encourage A Good Working Relationship With The Contractor

Examination of the FMS cases revealed that the PM should work to foster a good relationship with the contractor, encouraging an environment of trust and mutual respect. A good relationship between the PM and the contractor lends itself to a smoother dialog of information sharing and cooperation. A good relationship with the contractor is not unethical, so long as the PM continues to exhibit the military professionalism imputed upon his position as a military member of the U.S. Government.

4. The U.S. Should Seek Alliances To Preserve The U.S. Leadership Position In Weapon Systems Exports

If the U.S. does not seek alliances with allied nations, or continue to market superior weapon systems, export sales will suffer, resulting in a negative impact on the U.S. industrial base. Because FMS is one of the few alternatives left for defense companies to stay in business, the continual worldwide marketing of U.S. weapon systems is

important for the survival of the U.S. industrial base. With the increasing growth of European competitors in the arms market, alliances promoting codevelopment and coproduction projects could seek to preserve the U.S. leadership in future weapon systems exports.

5. The Current FMS Vehicle Process Should Be Revised

The current FMS process should be revised to depict the PM's leadership role during all LOA phases. As Table 1 illustrates, the majority of actions and information constituting the development of the LOA is currently performed by the PMO, therefore the agency responsible for these actions should lie with the PM, not the security assistance community. However, the security assistance community should continue performing approval and administrative activities, and provide the legal oversight for the FMS agreement. (Table 2 depicts the proposed FMS process with the PM performing the leadership role throughout all the various LOA phases.)

6. Organization Of The PEO-TWV Should Be Restructured

Due to the increasing role of the PM in FMS transactions, the addition of a new position to manage all FMS transactions and international operations should be considered. With respect to FMS, the current interaction and communication climate between the PMO and the security assistance community does not lend itself to effective information sharing. However, this new position could facilitate a synergistic exchange of information with the security assistance community, and provide leadership for all FMS transactions.

FMS PROCESS, PRIMARY ACTIVITIES	CURRENT RESPONSIBLE AGENCY	AGENCY WHO ACTUALLY PERFORMED ACTION	PROPOSED PROCESS WITH PM LEAD
1. Pre-LOA Phase	DSAA	PM	PM
Pre-LOA Discussions	DSAA	PM	PM
Requirements Determination	DSAA	PM	PM
LOR Submitted	DSAA	DSAA	DSAA
Security Asst Review	DSAA	DSAA	DSAA
Review of Congressional Data	DSAA	DSAA	DSAA
Decision to Act on LOR	DA DCSLOG	DA DCSLOG	DA DCSLOG
2. LOA Development Phase	TSAC	PM	PM
LOA Negotiations	TSAC	TSAC/PM	TSAC/PM
Assigned Country Manager	TSAC	TSAC	TSAC
Case Identifier Assigned	TSAC	TSAC	TSAC
Request Vehicle Pricing Quotes	TSAC	PM	PM
Request for Price Adjustments	TSAC	PM	PM
LOA Item Identification:	TSAC	PM	PM
Delivery of Vehicles	TSAC	PM	PM
Paint Color	TSAC	PM	PM
Concurrent Spare Parts	TSAC	TSAC/PM	PM
Support Maintenance	TSAC	PM	PM
Publications	TSAC	PM	PM
Training Items	TSAC	PM	PM
Quality Assurance Teams	TSAC	PM	PM
Pricing for all Items	TSAC	PM	PM
Transmittal of LOA	DSAA	DSAA	DSAA
DA Approval for LOA	DA DCSLOG	DA DCSLOG	DA DCSLOG
DoD Approval for LOA	DSAA	DSAA	DSAA
3. LOA Implementation Phase	TSAC	PM	PM
Payment Schedule	USASAC	USASAC	USASAC
Delivery Schedule	TSAC	PM	PM
Initial Deposit	TSAC	PM	PM
Cost Summary	TSAC	TSAC/PM	PM
Requisitions for Parts; Support Support Items; Maintenance	TSAC	PM	PM
Request to Obligate Money to Buy Vehicles.	DSAA/TSAC	DSAA/TSAC	DSAA/TSAC
Modification of Contract	TSAC	PM	PM
Customer Signature on FMS Case	USASAC/TSAC	USASAC/TSAC	USASAC/TSAC
4. LOA Execution	TSAC	PM	PM
Funds Requisitioned	TACOM Matrix	PM/TACOM Matrix	PM/TACOM Matrix
Production Performed	PM	PM	PM
Delivery of Vehicles	TSAC	PM Will Perform	PM
Quality Assurance Inspections	TSAC	PM Will Perform	PM

Table 2. Proposed New Vehicle FMS Process With PM Lead

In conjunction with this organizational change, a Table of Distribution and Allowance (TDA) change reflecting this new position should also occur. As FMS continues to become a significant part of the acquisition effort in the years to come, it will require more financial and personnel resources. A change to the TDA could ensure the manning of a position that would ensure the continual synergistic interaction among the security assistance community, the customer and the Project Manager. Additionally, it would also assist in the validity for receiving FMS funding to support all FMS transactions. (Figure 8 depicts the proposed organizational structure of the PEO-Tactical Wheeled Vehicle with the addition of this new position.)

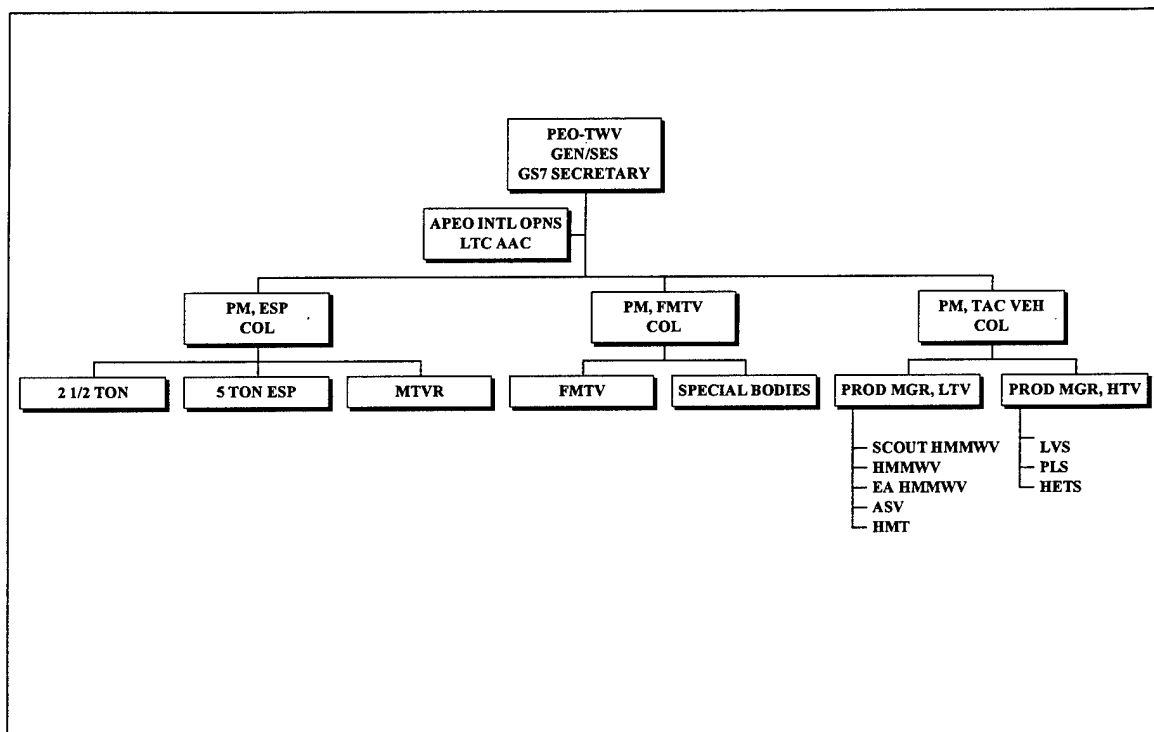


Figure 8. Proposed Organizational Structure of the PEO-TWV.

C. RECOMMENDATIONS FOR FURTHER RESEARCH

The following areas are recommended for additional research:

1. Direct Commercial Sales Versus FMS

As foreign Governments continue to modernize their military equipment, international sales are becoming increasingly more important to Project Managers. Further research into direct commercial sales versus FMS should be conducted to determine the costs and benefits of both methods of sale to the U.S. Government. Further, research should determine if any policy changes are necessary to encourage these sales, and how the current role of the PM should change with respect to direct commercial sales.

2. Codevelopment And Coproduction Of Tactical Wheeled Vehicles

Research should be conducted to determine the feasibility of codevelopment and coproduction for trucks. As the U.S. continues to downsize, and budgets continue to wane, codevelopment and coproduction could be viable solutions for reducing acquisition costs.

APPENDIX A.

ANSWERS TO RESEARCH QUESTIONS

This appendix provides answers to the research questions presented in the introduction of this thesis.

1. Primary Research Question

The primary research question for this thesis is: *What should be the functional management role of the PM in the FMS process for new tactical wheeled vehicles?*

Based on the analysis presented in Chapter IV, the PM should perform the functional management roles of leading and facilitating. Although the analysis of both FMS cases revealed that the security assistance community *technically* had the lead in both FMS cases, in actuality, it was the proactive leadership of the PM performing primarily a liaison, or facilitator role between the U.S. and the foreign countries that resulted in successful FMS transactions.

2. Subsidiary Research Questions

The supporting research questions and their answers for this thesis are as follows:

a. *What Security Assistance Agencies Were Primarily Involved With The New Vehicle FMS Process, And What Activities Of These Agencies Were Actually Performed By The Project Management Office?*

Material presented in Chapter II and Chapter IV of this thesis revealed the following information:

Security assistance agencies primarily involved in the FMS process included the Defense Security Assistance Agency, Office of the Deputy Chief of Staff, Logistics, U.S.

Army, the U.S. Army Security Assistance Command, and the Tank - Automotive Command Security Assistance Center. Analysis of these agencies revealed that the primary function of the security assistance community was that of an approval authority for LOAs in the FMS process. Additionally, the PMO actually performed many actions that were the responsibility of the security assistance community. (Table 1 depicts the actual activities performed by the PMO during the FMTV FMS cases.)

b. What Are The Ethical Considerations Inherent In FMS Cases For The PM, And What Is Their Impact On The Process?

The analysis presented in Chapter IV reveals that the ethical considerations that the PM must regard concern two major areas: the role of the PM in marketing new U.S. defense equipment to foreign countries, and a conflict of interest concerning the relationship between the PM and the contractor. Actions by the PMO in support of FMS transactions could be misconstrued as marketing, however, current policy guidelines are unclear. Analysis of both FMS cases also identified a potential conflict of interest involving the relationship between the PM and the contractor. Because the PMO is continually interacting with the contractor, actions of the PMO could be misconstrued as beneficial to industry.

With respect to both ethical considerations, their impact on the FMS process is significant. The PMs actions are dictated first by laws, regulations, and policies which establish guidelines for conduct, and then by interpretation

and circumstance. However, there is a significant flaw with the current laws and procedural guidelines: the U.S. Government has not firmly established clear, ethical parameters delineating the actions of the PM for marketing new production defense items to foreign countries. Because these policies are ambiguous, the PM must interpret the current guidelines according to the circumstance of the situation. The PM's actions result from these interpretations. Consequently, these actions may be misconstrued as unethical, placing the PM in a precarious situation that may hinder future FMS transactions.

c. What Is The Impact of FMS On The Industrial Base?

The analysis presented in Chapter IV of this thesis reveals that the impact of FMS on the industrial base is enormous. *First*, and most important, FMS encourages sustainment of the manufacturing/industrial base. As DoD reduces spending for military equipment and services, companies in the U.S. defense industrial base seek to replace these lost domestic revenues with those obtained through Foreign Military Sales. As every billion dollars of new defense equipment is exported, approximately 31,000 American jobs are generated. Additionally, while Army programs can enjoy the benefit of increased production rates as a result of more exports, industry can enjoy the benefits of increased profit. This, in turn, leads to economic growth, giving rise to a greater commitment to manufacturing defense items. *Second*, FMS promotes both codevelopment and coproduction projects. These programs can lead to the

elimination of trade barriers, thus promoting a healthier economy. *Third*, and specifically with regard to tactical wheeled vehicles, FMS provides revenue for future defense projects. *Fourth*, it promotes the stabilizing of the industrial base workforce through new production and modernization FMS cases. Thus, the impact of the FMS on industrial base is immense, as it affects the very livelihood of Americans.

d. What Are The Lessons Learned From The Thailand And Kuwait FMS Cases?

The analysis conducted in Chapter IV, revealed the following lessons learned:

- The PM is the leader and facilitator of the FMS transaction.
- The PM is the expert who lends credibility to the program.
- The PM is the problem-solver between the U.S. and the contractor.
- The PM bridges the gap between the security assistance community and the customer.
- The security assistance community has limited involvement in the current vehicle FMS process.
- The PMO is not funded to perform all necessary FMS activities.
- The current policies do not reflect the efforts of the PMO during the FMS case implementation process.

- The PMO is proactive; the security assistance community is reactive.
- The presence of the PMO during the initial phases of the FMS is critical in facilitating information exchange and minimizing adverse affects of cultural differences.
- Current policies are ambiguous and contradictory concerning PM guidance on the marketing of U.S. defense equipment.
- A good working relationship between the PMO and the contractor is vital for successful implementation of FMS cases.
- FMS encourages the continued sustainment of the manufacturing/industrial base during an era of downsizing.
- Worldwide arms competition may severely hamper future sales capabilities of the United States.
- The current trend of European community alliances may require the U.S. to establish codevelopment and coproduction alliances to preserve the U.S. leadership position in future weapon systems exports.
- The FMS of tactical wheeled vehicles have a positive impact on the industrial base.

APPENDIX B.
LIST OF ACRONYMS

AECA	Arms Export Control Act
AMC	U.S. Army Material Command
DA DCSLOG/OPNS	Department of the Army, Deputy Chief of Staff, Logistics/Operations
DCS	Direct Commercial Sales
DISAM	Defense Institute of Security Assistance Management
DLSIE	Defense Logistics Studies Information Exchange
DoD	Department of Defense
DSAA	Defense Security Assistance Agency
DTIC	Defense Technological Information Center
ESF	Economic Support Fund
FAA	Foreign Assistance Act
FMFP	Foreign Military Financing Program
FMS	Foreign Military Sales
FMTVs	Family of Medium Tactical Vehicles
FY	Fiscal Year
HQ	Headquarters
IMET	International Military Education and Training
JER	Joint Ethics Regulation
JUSMAG	Joint U.S. Military Advisor Group
LOA	Letter of Offer and Acceptance
LOR	Letter of Request
NDI	Non-developmental Item
PEO	Program Executive Office
PKO	Peacekeeping Operations
PM	Project Manager
PMO	Project Management Office
SAO	Security Assistance Organization
S&S	Stewart and Stevenson, Inc.
TACOM	Tank-Automotive Command
TDA	Table of Distribution and Allowance
TSAC	Tank-Automotive Command Security Assistance Center
TWV	Tactical Wheeled Vehicle
U.S.	United States
USASAC	U.S. Army Security Assistance Command

LIST OF REFERENCES

1. Anthony, Ian, "Current Trends and Developments in the Arms Trade," The Annals, The Arms Trade: Problems and Prospects in the Post-Cold War World, pp. 29-43, September 1994.
2. Burke, Thomas, "America on Top Among World's Arms Peddlers," U.S. News and World Report, pp. 14-16, 13 January 1975.
3. Clarke, Richard A., "Security Assistance and Policy," The DISAM Journal. Fall 1990.
4. Defense Institute of Security Assistance Management, The Management of Security Assistance, Wright-Patterson AFB, OH: Defense Institute of Security Assistance Management, 14th Edition, 1994.
5. Department of Defense, Award/Contract, DAAE07-92-R001, Stewart and Stevenson Services, Inc., dated 11 October 1991.
6. Department of Defense, Foreign Military Sales Case TH-B-VZO: Thailand Letter of Offer and Acceptance, dated 12 November 1993.
7. Department of State, Memorandum from the Secretary of State, Subj: Defense Trade Controls - License Determination, dated 9 February 1994.
8. Department of the Army, Army Regulation 12-8, Operations and Procedures, 21 December 1990.
9. Department of the Army, Memorandum from the U.S. Army Acquisition Executive, Subj: Policy #91-4 Matrix Support Policy for Program Executive Officer Managed Systems, dated 28 February 1991.
10. Department of the Army, Memorandum from the U.S. Army Acquisition Executive, Subj: Policy #90-7, Security Assistance, dated 30 November 1990.

11. Department of the Army, Memorandum from the U.S. Army Material Command, Subj: Marketing of U.S. Defense Equipment, dated 1 December 1993.
12. Department of the Army, Memorandum from the U.S. Army Security Assistance Command, Subj: International Defense Exhibition '93 in Abu Dhabi, dated 12 March 1993.
13. Department of the Army, Memorandum from the U.S. Army Security Assistance Command, Subj: Security Assistance Review, dated 1 June 1993.
14. Department of the Army, Memorandum from the U.S. Army Security Assistance Command, Subj: Security Assistance Support for FMS Cases Involving Tactical Wheeled Vehicles, dated 14 May 1992.
15. Department of the Army, Record of Legal Review, Subj: Munitions Case No. GJ-008-94, Classification of M1078 Cargo Truck, dated 13 April 1994.
16. Department of the Army, TACOM Security Assistance Center, Tank and Automotive Command Security Assistance Business Plan Annex, 1 March 1995.
17. Interview between COL John W. Stoddart, PEO-Tactical Wheeled Vehicles, Tank and Automotive Command, Warren, MI and the author, 5 June 1994.
18. Interview between COL Michael W. Boudreau, PM - FMTV, Monterey, CA and the author 26 January 1995.
19. Interview between LTC Audie D. Zimmerman, Assistant PEO, Tactical Wheeled Vehicles, International Operations, Tank - Automotive Command, Warren, MI and the author, 5 June 1994.
20. Interview between Mr. Dennis Mazurek, Deputy PM - FMTV, Tank - Automotive Command, Warren, MI and the author, 23 March 1995.
21. Interview between Mr. Frank S. Besson III, Director for Security Assistance, Department of the Army, Office of

the Deputy Chief of Staff, Logistics, Monterey, CA, and the author 31 January 1995.

22. Interview between Mr. Lawrence Jones, Country Manager - Kuwait, Tank - Automotive Command Security Assistance Center, Warren, MI and the author, 23 March 1995.
23. Interview between Mr. Richard Sheills, PCO - FMTV, Tank - Automotive Command Security Assistance Center, Warren, MI and the author, 24 March 1995.
24. Interview between Mr. Ronald Sturgeon, Director, Tank - Automotive Command Security Assistance Center, Warren, MI and the author, 7 June 1994.
25. Interview between Mr. Steven V. King, Country Case Manager - Thailand, Tank - Automotive Command Security Assistance Center, Warren, MI and the author, 8 November 1994.
26. Kerzner, Harold, Project Management: A Systems Approach to Planning, Scheduling and Controlling, 4th Edition, Van Nostrand Reinhold: New York, NY, 1992.
27. Mintzberg, Henry, "The Manager's Job: Folklore and Fact," Harvard Business Review, pp. 12-18, July/August 1975.
28. Public Law, Arms Export Control Act, 30 June 1976.
29. Public Law, Foreign Assistance Act, 3 January 1989.
30. Schmoll, Joseph H., Introduction to Defense Acquisition Management, DSMC Press, Fort Belvoir, VA, March 1993.
31. Steinberg, James B., The Transformation of the European Defense Industry: Emerging Trends and Prospects for Future US European Competition and Collaboration R-4141-ACQ, Rand: Santa Monica, CA, 1992.
32. Stewart & Stevenson Services, Inc., Fax Transmittal, Subj: Thailand and Kuwait Actions, dated 10 June 1993.

33. Stewart & Stevenson Services, Inc., Memorandum Subj: Shipment of S&S FMTVs, dated 21 January 1994.
34. U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfer 1993, Washington, DC: Government Printing Office, November 1994.
35. U.S. Department of Commerce, Bureau of Export Administration. Export Administration Regulations, 15 CFR 799.2, Supplement 1, Ch. VII (1-1-92 Edition), Interpretation 19, 1993.
36. U.S. Department of Defense, DoD 5105.38-M Security Assistance Management Manual, Change 4, 2 March 1992.
37. Publication, Dictionary of Military and Associated Terms. Washington, DC: Government Printing Office, 1987.
38. U.S. Department of Defense, Office of the Inspector General, Defense Ethics, A Standards of Conduct Guide for DoD Employees, Washington, DC: Government Printing Office, 1989.
39. U.S. Department of Defense, Office of the Inspector General, Indicators of Fraud in DoD Procurement, IG, DoD 4075.1-H, Washington, DC: Government Printing Office, 1987.
40. U.S. Department of Defense, Secretary of Defense Publication, Joint Ethics Regulation (JER), Washington, DC: Government Printing Office, 1993.
41. U.S. Department of State, Bureau of Politico-Military Affairs, Amendments to the International Traffic in Arms Regulations; Final Rule, 22 CFR, Federal Register, Vol 58, No. 139, 22 July 1993.
42. U.S. Department of State, Bureau of Politico-Military Affairs, Foreign Relations and Intercourse, 22 USC, 25 January 1989.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center..... 2
8725 John J. Kingman Road, STE 0944
Fort Belvoir, VA 22060-6218
2. Library, Code 52..... 2
Naval Postgraduate School
Monterey, CA 93943-5101
3. Defense Logistics Studies Information Exchange.....1
U.S. Army Logistics Management Center
Fort Lee, VA 23801-6043
4. Acquisition Library.....1
Department of Systems Management
Naval Postgraduate School
Monterey, CA 93943-5103
5. OASA (RDA).....1
ATTN: SARD-ZAC
103 Army Pentagon
Washington, DC 20310
6. U.S. Army Tank-Automotive Command.....1
PEO-TWV
ATTN: SFAE-TWV(COL Stoddart)
Warren, MI 48397-5000
7. Prof. David V. Lamm (Code SM/Lt).....5
Naval Postgraduate School
Monterey, CA 93943-5103
8. Prof. Thomas H. Hoivik (Code SM/Ho).....2
Naval Postgraduate School
Monterey, CA 93943-5103
9. Prof. Michael Sovereign (Code OR/Sm).....1
Naval Postgraduate School
Monterey, CA 93943-5219

10. Prof. Dave Matthews (Code SM/Md)1
Naval Postgraduate School
Monterey, CA 93943-5103
11. LTC John Dillard (Code SM/Dj)1
Naval Postgraduate School
Monterey, CA 93943-5103
12. Linda R. Herbert2
242 Oakhurst Road
Oakhurst, NJ 07755